

Think Green



Annual Report 2006

UNION STEEL HOLDINGS LIMITED

ABOUT **US**

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 metal 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.

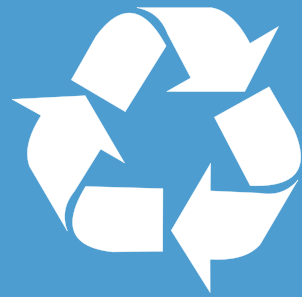
The Group intends to seek expansion opportunities within both its existing and potential markets via possible acquisitions and joint ventures in the PRC and Indonesia.

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

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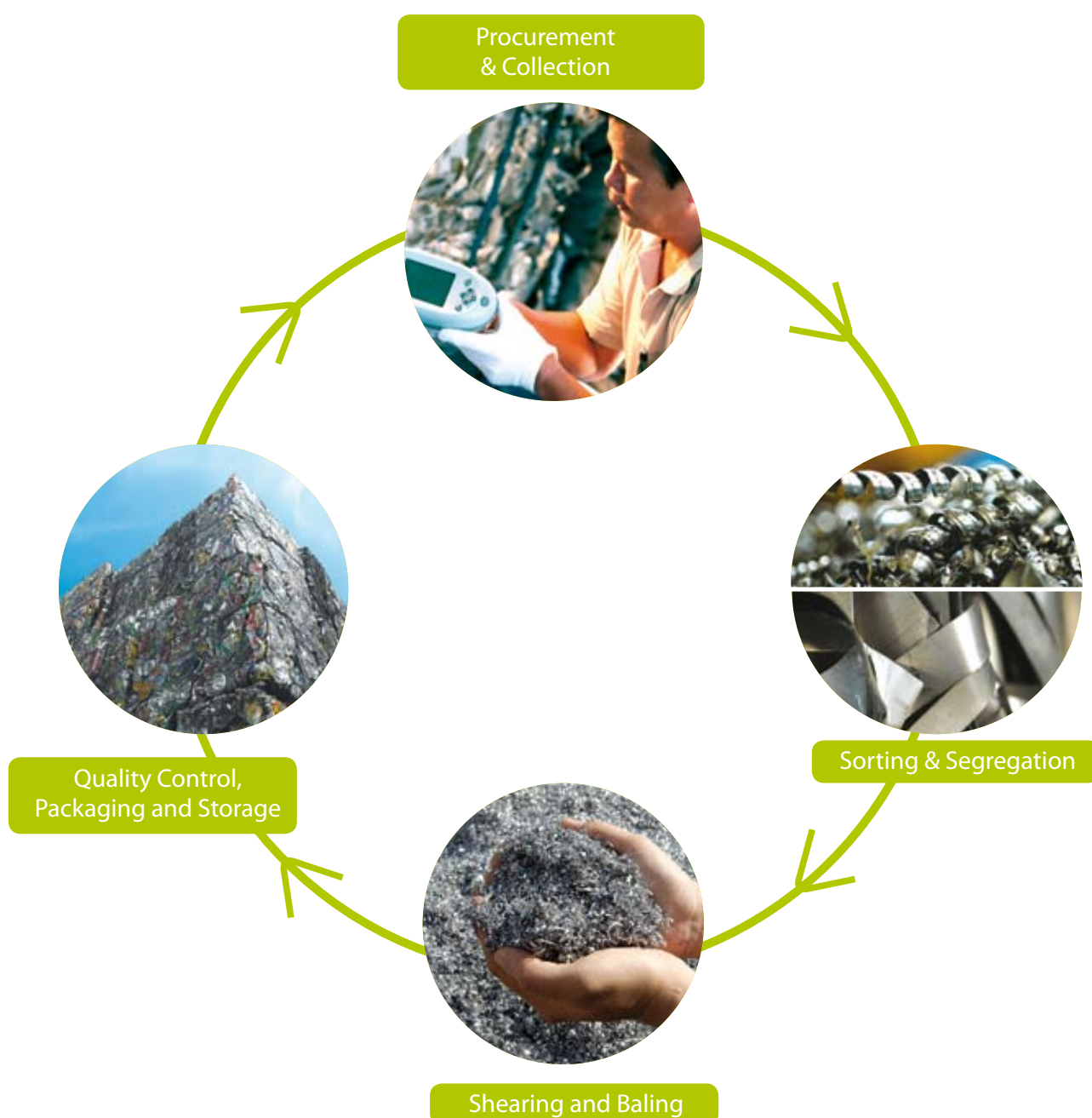
Think Value
Creation



REGENERATE **VALUE**

Metal Recycling Process at a glance

Our recycling operations primarily involve the collection, processing and packaging of ferrous and non-ferrous scrap metals. We collect, process and pack the scrap metals and supply the recycled metals to our customers, which include steel mills, foundries, and metal brokers.



Regenerate



Metal recycling is about value regeneration and environmental protection. Everyday, we process tonnes of scrap metals, and channel it back to the value chain to be reused. Metal recycling can help reduce mining and meet the growing demand for economic and infrastructure development. This is how we make a difference to our customers and the environment.

REUTILISE VALUABLE **RESOURCES**

Ferrous & Non-Ferrous Products

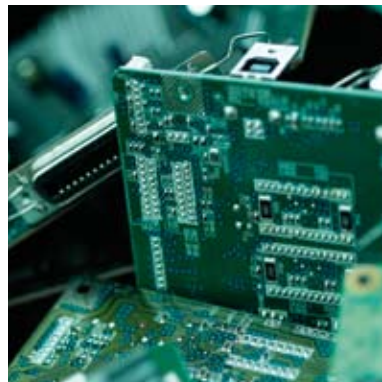


Types of Ferrous Metals:

Steel, Heavy Melting Scrap, Silicon Steel

Types of Non-Ferrous Metals:

Aluminium, Brass, Copper, Lead, Stainless Steel, Tin, Zinc, Radiator, E-Waste





Reutilise

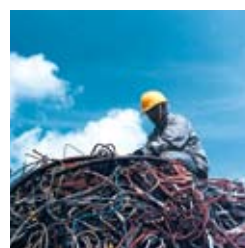
Recycled metals have unlimited applications. It can be used in ship building, car manufacturing, infrastructure and consumer packaging.

REINFORCE OUR **STRENGTH**

Capabilities & Capacities

Our facilities include:

Location	Approximate Land Area (sqm)	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 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 premise, factory and warehouse for processing and storage of non-ferrous scrap metals
Jalan Samulun Singapore 629120	9,590	Warehouse for storage of steel products



Reinforce

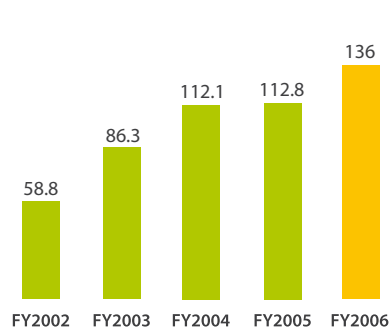


Our integrated metal recycling facilities which include sorting, segregation, shearing and baling, reinforce our leadership in the metal recycling and metal commodity trading industry.

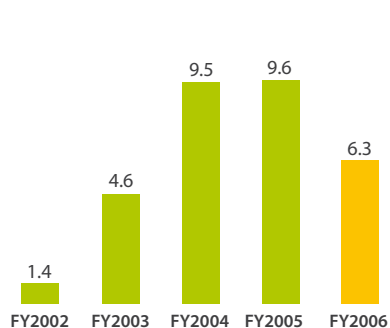
FINANCIAL HIGHLIGHTS

	FY2002 S\$('000)	FY2003 S\$('000)	FY2004 S\$('000)	FY2005 S\$('000)	FY2006 S\$('000)
Group Turnover	58.8	86.3	112.1	112.8	136
Group PAT	1.4	4.6	9.5	9.6	6.3
Group Gross Margin (%)	14.5	15.9	17.6	18.3	13.2
Group NTA (cents)	NA	NA	8.75	9.52	11.92
Group EPS (cents)	0.51	1.69	3.49	3.53	1.86

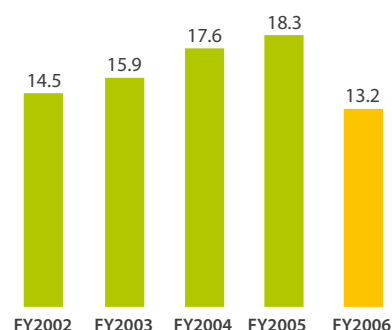
Group Turnover
Revenue (S\$'000)



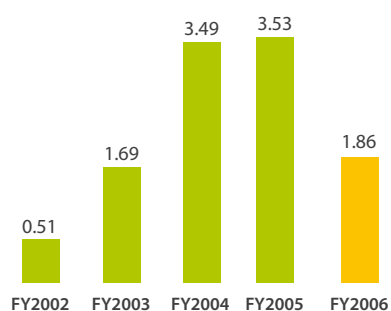
Group PAT
Net Profit (S\$'000)



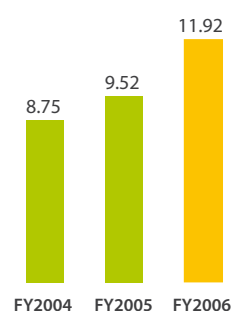
Group Gross Margin
Gross Margin (%)



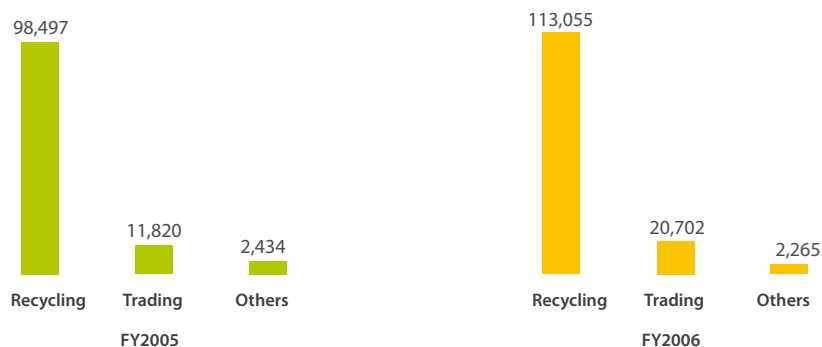
Group EPS
Earnings per share (cents)



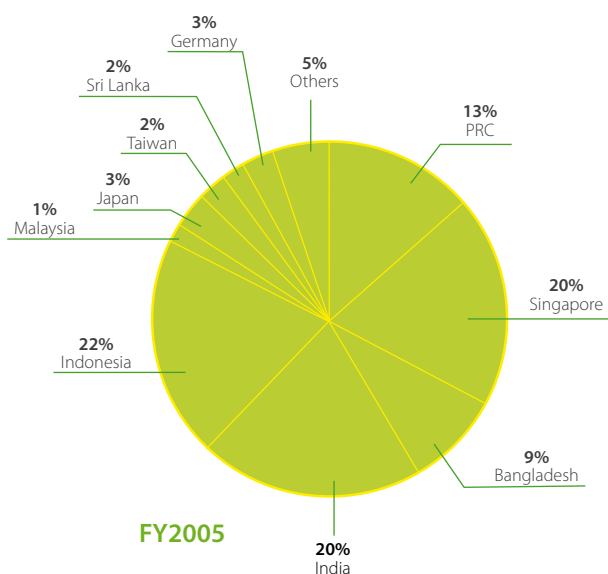
Group NTA
Net Tangible Assets (cents)



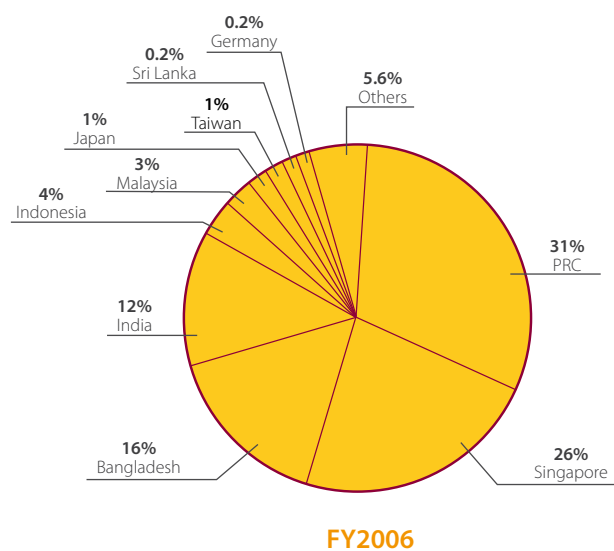
Group Revenue by Segment (S\$'000)



REVENUE BY MARKETS Sales by Geographical Region (%)



Revenue	% FY2005	% FY2006
PRC	13	31
Singapore	20	26
Bangladesh	9	16
India	20	12
Indonesia	22	4
Malaysia	1	3
Japan	3	1
Taiwan	2	1
Sri Lanka	2	0.2
Germany	3	0.2
Others*	5	5.6



Others*

Belgium, Brazil, Brunei, Cambodia, Egypt, Hong Kong, Korea, Kenya, Maldives, Myanmar, Netherlands, Nepal, New Zealand, Philippines, Pakistan, Turkey, Thailand, United Kingdom and Vietnam.

CEO'S MESSAGE



Dear Shareholders,

In a year marked by sharp increases and volatility in commodity prices, we had the nimbleness and resources to move our trading quickly and efficiently across the various countries we have a market presence in, in order to capitalise on price differentials, lower distribution costs, as well as commodity sourcing opportunities.

I am therefore pleased to report that despite a challenging first half, we generated a solid improvement for the second half. Indeed, we managed to more than reverse the first half's decline in revenue and remain on stream for the trading performance to continue along this positive trend. Seen in this comprehensive way, these financial results clearly demonstrate that, despite fast evolving market conditions, the Group has the reputation, network and expertise to proactively manage its corporate ship.

OPERATIONS & FINANCIAL REVIEW

Group Revenue increased by 20.6% to S\$136 million primarily due to our leveraging on the increase in non-ferrous metal prices such as that of copper, aluminum and stainless steel. Net profit was booked at S\$6.3 million, a 34% decrease over the previous financial year. With stiff competition and higher fuel prices, operating cost margins were eroded. Gross margin fell to 13.2% compared with 18.3% the previous year.

BUSINESS SEGMENTS

The Recycling segment remained our largest revenue driver, making up 83% of total group revenue. This segment saw a 15% increase in revenue from S\$98.5 million in FY2005 to S\$113.1 million. Profit for this segment however experienced a shortfall by 36% due primarily to greater competition for scrap, which resulted in us having to pay more to purchase them.

After a sharp correction in the middle of 2005, recycled ferrous metal prices remained weak and subdued for the first half of FY2006. Prices did not improve until March 2006 following

the recovery in steel product prices due to the consolidation of the supply of steel and the strong underlying demand for steel. This led to an improvement in the Trading segment's revenue by 75%.

FINANCIAL REVIEW

Distribution costs increased by 2% and management efforts to lower costs by focusing on markets in lower cost countries had succeeded in keeping distribution costs low despite the higher turnover. Administrative costs rose by 26% due mainly to higher property tax, staff costs and directors' fees. Finance costs rose by 174% due to higher interest rates and an increase in bank borrowings. Gearing ratio for FY2006 was 0.62 and is well within the interest cover ability of the Group, despite the rise in financing costs. Going forward, we will endeavour to generate positive cash flow from the trading segment in order to reduce our quantum of borrowings.

DIVIDENDS

The Directors have recommended a first and final dividend of \$0.0065 per share to be approved at the forthcoming annual general meeting.

OUTLOOK & STRATEGY

Recycling is and will continue to be our largest revenue driver. We have increased our product range to include electronic waste, commonly known as e-waste, from products such as used computers, PDAs, handphones, and so on. Diversifying our revenue stream with this sector, we are well-positioned to reap the benefits from increasing worldwide interest in e-waste and environmental protection.

With global attention on the importance of recycling, and efforts and regulations enacted to spur recycling, we envision healthy prospects for our business. While a growing recycling market will encourage more market entrants, our reputation, skills and network of business associates will continue to positively distinguish us from competitors.

We are able to engage a ready network of willing buyers due to our long-standing reputation as a quality metal commodity supplier. The industry standards we adhere to such as ISO 9000 and ISO14001 (environmental protection) have further bolstered our ability to secure reliable and reputable buyers for our recycled materials as well as willing trading partners. Indeed, in the local metal recycling industry, we are one of the few recyclers that have secured these industry standards.

I am pleased to report that the new financial year has started with our businesses trading with a higher level of sales and orders than at the corresponding point last year. Demand will be driven by concerns for the environment and the higher consumption of metal products that will follow better economic growth. We see prospects for trading rising healthily as the Integrated Resort projects progress. Demand for steel products will be driven by these projects.

In the Others segment, prospects remain strong. Waste management and demolition works will remain integral contributors in this segment to our revenue stream. With an up-trending property and construction business cycle, En-Bloc sales will continue. Correspondingly, demolition work demand will be positive and we are well-situated to leverage on this.

REGIONAL OUTLOOK

The PRC is and will remain a significant component of our revenue base. We are bullish on China. Its robust economic growth as well as the spike in construction activity in the lead-up to the Beijing Olympics 2008 have placed a consistently robust demand for commodities, including those we have a particular speciality in, namely copper, aluminum, stainless steel, tin, lead and zinc.

Despite the decrease in India's contribution to revenue for FY2006, it also remains a country we're bullish about. Economic growth has remained vigorous, with the property market and the related construction sector generating healthy growth. Accordingly, we anticipate continued demand for our commodities in the sub-continent.



The Middle East, in particular Dubai, is a region that is fast expanding and we foresee an increase in business from this region. It is also a newly emergent source of scrap metal for us, with the tremendous surge in construction activity in Dubai and other Gulf states.

CONCLUSION

The results of the past year, although lower, are built on strong market leadership serving high value, growth markets. We expect to continue to achieve strong levels of organic growth again in the current financial year.

Going forward, we will actively look for value-building acquisitions which fit within the tight definition of our acquisitions strategy.

Our corporate structure is lean and our senior management is close to operations, giving us thorough knowledge of our markets and commodities, as well as the agility to respond rapidly to changing business conditions. We believe that this corporate structure will continue to underpin our strategic growth.

I have every reason to believe that, with a continuing favourable environment, these strengths will deliver further growth in FY2007. To conclude, I would like to take this opportunity to thank our talented staff and astute management for their counsel and advice over the past year. I would also like to thank you, our shareholders, for your trust in our company. We look forward to good prospects in the year ahead.

MR ANG YU SENG

Chairman & CEO

BOARD OF DIRECTORS

Mr Ang Yew Lai

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 Yu Seng

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 Chye

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.





Mr Chan Kok Poh

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

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

Mr Siau Kai Bing was appointed to the Board of Directors as an Independent Director of our Company on 28 June 2005. He has over 25 years of experience in accounting and audit and has held various senior appointments in finance including Chief Financial Officer of a public listed company. Mr Siau is a Certified Public Accountant and a Fellow of the Institute of Certified Public Accountants of Singapore. He is currently the Financial Controller of a major architecture services company in Singapore. Mr Siau is also currently an Independent Director and Chairman of the audit committee and nominating committee of Advanced Holdings Limited.

KEY MANAGEMENT



OPERATIONS

Ms Wang Fang

Ms Wang is our Project Manager and is responsible for the Group's demolition businesses. She is in charge of demolition work tenders, preparing the cost estimates and plans, and administering the contracts for all levels and types of demolition work. Since she joined us in 2002, she has managed many demolition projects involving government bodies namely the Housing and Development Board, Jurong Town Corporation, Defence Science and Technology Agency, Land Transport Authority, and the Ministry of Education. Some government and private projects she has handled include the demolition of the existing Ardmore View and Habitat II condominiums, the existing five spans of the MRT Viaduct for the Boon Lay MRT Extension project, two spans of Merdeka Bridge, the existing Simon Camp, Raffles Institution and the demolition of a satellite dish for SingTel. Ms Wang has over 12 years' experience as a quantity surveyor. She obtained a degree in Construction Management Engineering from the Chongqing Civil Engineering Institute, PRC in 1992.

Mr Tan Leong Chye, Jack

Mr Tan is our Chief Operating Officer. He is in charge of ISO accreditation and has overseen the company's securing of ISO 9001:2000 and ISO 14001 standards. Responsible for Union Steel's capital expenditure, he also supervises daily operations and ensures the smooth running of logistics, warehousing and Group sales. He joined us in 1997. Prior to his current position, Mr Tan was a Purchasing Executive at Indeco Engineering Pte Ltd, where he oversaw the day-to-day running of its purchasing department.



FINANCE

Mr Lim Chen Wei, Jonathan

Mr Lim is our Group Financial Controller in charge of the finance and treasury functions, investor relations, SGX reporting and Merger and Acquisition matters. 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. He graduated with a Degree of Bachelor of Accountancy from the Nanyang Technological University in 1998.

SALES & MARKETING

Ms Zhang Yu

Ms Zhang is the Sales Manager of our Group and is responsible for the sales and trading of ferrous scrap metals (such as HMS, Bushelling Scrap, Turning & Boring or Rerollable Scrap) and steel products (such as Billet, deformed bars or Wire Rod). Ms Zhang is responsible for our export sales business to India, Indonesia, Bangladesh and Malaysia, among others; and maintaining the Group's existing clientele for ferrous scrap metals and steel products. Ms Zhang joined us in 2001.

Ms Soh Lay Beng, Serene

Ms Soh is our Sales and Marketing Manager and is responsible for local sales and marketing of our steel products such as universal beams, sheet piles, and steel plate supplies to the construction and engineering industries and steel fabricators. She is also involved in the sourcing and supplying of steel products for construction projects. Prior to joining our Group in 2000, Ms Soh worked as an Operations and Administrative Supervisor in Legend Building Supplies (Pte) Ltd where she was in charge of co-ordinating the company's sales and purchase orders.

Ms Qiu Hong

Ms Qiu is the Sales and Marketing Manager of our Group and is responsible for the trading of non-ferrous scrap metals such as aluminium, copper, brass and as well as stainless steel scrap. From 1993 to 1995, Ms Qiu worked as a ring dealer in the Shanghai representative office of the Agricultural Bank of China. Ms Qiu obtained a Bachelor of Engineering from the Shanghai Institute of Mechanical Engineering in 1991 and a Bachelor of Economics from the Shanghai Institute of Foreign Trade in 1997. She joined the company in 1997.



CORPORATE INFORMATION

BOARD OF DIRECTORS

Ang Yu Seng *Executive Chairman / CEO*
Ang Yew Lai
Ang Yew Chye
Chan Kok Poh
Chang Yeh Hong
Siau Kai Bing

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*
Chan Kok Poh
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

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CORPORATE GOVERNANCE

The Board of Directors ("Board") and the Management of Union Steel Holdings Limited (the "Company") are committed to maintaining a high standard of corporate governance. Underlying this commitment is a belief that good governance will help to enhance corporate performance and accountability.

This report will help shareholders better understand the Company's practices which were in place throughout the financial year and guided by the Code of Corporate Governance (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. To fulfil this role, the board is responsible for the overall corporate governance of the Group including setting its strategic direction, establishing goals for management and monitoring the achievement of these goals.

As at the date of this report, the Board comprises six directors, two of whom are independent non-executive directors and one 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 Non-Executive Director)
Mr Siau Kai Bing	(Independent Non-Executive 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; and
- 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.

CORPORATE GOVERNANCE

BOARD MATTERS (CONT'D)

The full Board meets on a regular basis and as and when necessary to address any specific significant matters that may arise. The attendance of the Directors at meetings of the Board and Board committees as well as the frequency of such meetings are set out below.

Name	Board		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	3	3	NA	NA	1	1	1	1
Ang Yew Lai	3	3	NA	NA	NA	NA	NA	NA
Ang Yew Chye	3	3	NA	NA	NA	NA	NA	NA
Chan Kok Poh	3	3	2	2	NA	NA	NA	NA
Chang Yeh Hong	3	3	2	2	1	1	1	1
Siau Kai Bing	3	3	2	2	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' and key management staff qualifications and experience are presented in this Annual Report on page 12 to 15 under the heading "Board of Directors" and "Key Management".

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 as 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 apprised 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.

BOARD MATTERS (CONT'D)

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 Non-Executive Director)
Members :Mr Ang Yu Seng	(Executive Chairman/CEO)
Mr Chang Yeh Hong	(Independent Non-Executive Director)

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; and
- 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.

Article 91 of the Company's Articles of Association states that at each Annual General Meeting ("AGM"), one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest thereto but not less than one-third), shall retire from office by rotation. Article 92 of the Company's Articles of Association further states that a retiring director shall be eligible for re-election.

The Directors standing for re-election at the forthcoming AGM pursuant to Article 91 are Mr. Ang Yu Seng and Mr. Ang Yew Lai.

The NC is also satisfied that the current directors, having external directorships have devoted sufficient time and attention to the affairs of the Group.

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 Committees 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.

CORPORATE GOVERNANCE

BOARD MATTERS (CONT'D)

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") comprises entirely of non-executive directors of the Company. The Remuneration Committee is chaired by an independent non-executive 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 Non-Executive Director)	
Members :Mr Chan Kok Poh	(Non-Executive Director)	(Appointed on 06.09.2006)
Mr Siau Kai Bing	(Independent Non-Executive Director)	
Mr Ang Yu Seng	(Executive Chairman/CEO)	(Resigned on 06.09.2006)

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.

The duties of the RC are as follows:

- 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.

No director is involved in deciding his own remuneration, except in providing information and documents if specifically requested by the RC to assist in its deliberations.

The RC's review covers all aspects of remuneration, including salaries, fees, allowances, bonuses and benefits-in-kind. The RC's recommendations are submitted for endorsement by the entire Board.

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.

CORPORATE GOVERNANCE

REMUNERATION MATTERS (CONT'D)

Principle 9 : Disclosure on Remuneration

A breakdown showing the level and mix of remuneration paid/payable for the financial year ended 30 June 2006 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 (%)
Executive Directors				
Above S\$750,000				
Ang Yu Seng (CEO)	46.76	43.04	–	10.20
S\$500,000 - S\$749,999				
Ang Yew Lai	48.96	39.73	–	11.31
S\$250,000 - S\$499,999				
Ang Yew Chye	52.75	31.77	–	15.48
Below S\$250,000				
Non-executive Director				
Chan Kok Poh	–	–	100	–
Independent Non-Executive Directors				
Chang Yeh Hong	–	–	100	–
Siau Kai Bing	–	–	100	–

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 Director or a CEO whose remuneration in the financial year ended 30 June 2006 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.

CORPORATE GOVERNANCE

ACCOUNTABILITY AND AUDIT (CONT'D)

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 non-executive directors and one non-executive director. At the date of this report, the Audit Committee comprises the following members:

Chairman:Mr Chang Yeh Hong	(Independent Non- Executive Director)
Members :Mr Siau Kai Bing	(Independent Non-Executive 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; and
- 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 of LTC & Associates as the Company's external auditors at the forthcoming Annual General Meeting.

ACCOUNTABILITY AND AUDIT (CONT'D)

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.

Principle 13 : Internal Audit

An Internal Audit team from an independent external accounting firm has been 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 Audit Committee and administrative and operational matters to the Board.

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

COMMUNICATION WITH SHAREHOLDERS

Principle 14 : Communication with Shareholders

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.

Principle 15 : Greater Shareholder Participation

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.

CORPORATE GOVERNANCE

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 Audit Committee 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 seeks annual renewal of general mandate from its shareholders 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 transaction 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

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

Year Ended 30 June 2006

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 2006.

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
Ang Yew Lai
Ang Yew Chye
Chan Kok Poh
Chang Yeh Hong
Siau Kai Bing

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 is 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: -

The company	Ordinary shares of \$0.06 each	
	At beginning of year	At end of year
Ang Yu Seng	160,263,150	151,863,150
Ang Yew Lai	68,026,312	64,526,312
Ang Yew Chye	40,815,788	40,449,788
Chan Kok Poh	-	200,000
Chang Yeh Hong	-	100,000
Siau Kai Bing	-	100,000

By virtue of Section 7 of the Singapore Companies Act, Mr Ang Yu Seng, Mr Ang Yew Lai and Mr Ang Yew Chye are deemed to have an interest in all the related corporations of the group.

Except for Mr Ang Yew Chye, there was no change in the above-mentioned directors' interest between the end of the financial year and 21 July 2006.

REPORT OF THE **DIRECTORS**

Year Ended 30 June 2006

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 non-executive director, and includes Siau Kai Bing, an independent non-executive director, and Chan Kok Poh, a non-executive director. The Audit Committee met two times during the financial period and reviewed the following, where relevant, with the executive directors and the auditors of the company: -

- 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.

REPORT OF THE DIRECTORS

Year Ended 30 June 2006

6. AUDIT COMMITTEE (CONT'D)

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, 18 August 2006

STATEMENT BY THE **DIRECTORS**

Year Ended 30 June 2006

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 2006 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, 18 August 2006

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 2006, set out on pages 31 to 59. 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 2006 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

Singapore, 18 August 2006

BALANCE SHEETS

As at 30 June 2006

		GROUP		COMPANY	
	Note	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity: -					
Share capital	3	29,601	16,326	29,601	16,326
Retained profits		11,766	9,599	2,947	4,920
Total shareholders' equity		41,367	25,925	32,548	21,246
Non-current liabilities: -					
Bank loans	4	5,114	6,198	-	-
Obligations under hire purchase contracts	5	26	107	-	-
Deferred taxation	6	602	482	-	-
Total non-current liabilities		5,742	6,787	-	-
Current liabilities: -					
Bills payable and bank loans	4	20,526	15,556	-	-
Obligations under hire purchase contracts	5	1,718	1,074	-	-
Trade creditors	7	8,451	5,649	132	100
Other creditors	8	799	649	108	636
Non-hedging currency derivative financial instruments	9	335	-	-	-
Provision for taxation		1,638	2,936	37	-
Total current liabilities		33,467	25,864	277	736
Total shareholders' equity and liabilities		80,576	58,576	32,825	21,982
ASSETS					
Non-current assets: -					
Property, plant and equipment	10	29,660	27,902	-	-
Investment in subsidiaries	11	-	-	16,506	16,326
Total non-current assets		29,660	27,902	16,506	16,326
Current assets: -					
Stocks	12	27,138	15,193	-	-
Trade debtors	13	11,241	10,718	-	-
Other debtors and prepayments	14	440	837	11,136	5,656
Cash and bank balances	15	12,097	3,926	5,183	-
Total current assets		50,916	30,674	16,319	5,656
Total assets		80,576	58,576	32,825	21,982

See accompanying notes to the financial statements

CONSOLIDATED INCOME STATEMENT

Year Ended 30 June 2006

		GROUP	
	Note	2006 \$'000	2005 \$'000
Revenue	16	136,022	112,751
Cost of sales		(118,081)	(92,124)
Gross profit		17,941	20,627
Other operating income	17	3,774	2,370
		21,715	22,997
Distribution costs		(5,570)	(5,435)
Administrative expenses		(6,510)	(5,160)
Other operating expenses		(437)	(75)
Profit from operations		9,198	12,327
Finance cost	18	(1,196)	(437)
Profit before taxation	19	8,002	11,890
Taxation	20	(1,670)	(2,291)
Net profit for the financial year		6,332	9,599
Basic earning per share (cents)	21	1.86	3.53

See accompanying notes to the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year Ended 30 June 2006

GROUP	Share capital \$'000	Share premium \$'000	Retained profits \$'000	Total \$'000
Balance as at 1 July 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
Issue of shares pursuant to the Initial Public Offering of the company	4,500	10,500	–	15,000
Share issue expenses	–	(1,725)	–	(1,725)
Transfer to share capital (f)	8,775	(8,775)	–	–
Dividend paid of \$0.012 per ordinary share	–	–	(4,165)	(4,165)
Net profit	–	–	6,332	6,332
Balance as at 30 June 2006	29,601	–	11,766	41,367

- (a) The share capital and retained profits as at 1 July 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 1).
- (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 1).
- (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 1).
- (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 1).

See accompanying notes to the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)

Year Ended 30 June 2006

- (e) The adjustment arising from the restructuring exercise (Note 1) 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.
- (f) Pursuant to the Companies (Amendment) Act 2005, with effect from 30 January 2006, the concept of par value and authorised share capital was abolished and the shares of a company ceased to have a par value. The amount in the share premium reserve as at 30 January 2006 was transferred to the company's share capital.

See accompanying notes to the financial statements

CONSOLIDATED CASH FLOW STATEMENT

Year Ended 30 June 2006

	GROUP	
	2006 \$'000	2005 \$'000
Cash flows from operating activities: -		
Profit before taxation	8,002	11,890
Adjustments for: -		
Depreciation of property, plant and equipment	2,576	2,357
Gain on disposal of plant and equipment	(304)	(76)
Interest expense	1,196	437
Interest income	(141)	-
Changes in fair value of non-hedging currency derivative financial instruments	335	-
Operating profit before working capital changes	11,664	14,608
Increase in stocks	(11,945)	(2,960)
Increase in trade debtors	(523)	(1,993)
Decrease / (Increase) in other debtors and prepayments	397	(157)
Increase in trade creditors	2,802	1,339
Increase in other creditors	150	171
Cash generated from operations	2,545	11,008
Income tax paid	(2,848)	(3,173)
Interest paid	(1,196)	(437)
Interest income received	141	-
Net cash (used in) / from operating activities	(1,358)	7,398
Cash flows from investing activities: -		
Purchase of property, plant and equipment	(2,146)	(11,592)
Proceeds from disposal of plant and equipment	374	106
Repayment of hire purchase contracts	(1,695)	(1,303)
Net cash used in investing activities	(3,467)	(12,789)
Cash flows from financing activities: -		
Proceeds from issuance of ordinary shares pursuant to the Initial Public Offering, net	13,275	-
Funds from long-term and short-term bank loans	11,150	10,600
Increase in bills payable	4,306	3,688
Repayment of long-term and short-term bank loans	(11,570)	(2,353)
Dividends paid	(4,165)	(7,000)
Net cash from financing activities	12,996	4,935
Net increase / (decrease) in cash and cash equivalents	8,171	(456)
Cash and cash equivalents at beginning of the financial year	3,926	4,382
Cash and cash equivalents at end of the financial year	12,097	3,926
Cash and cash equivalents comprise: -		
Cash and bank balances	7,044	3,926
Fixed deposits, unpledged (Note 15)	5,053	-
	12,097	3,926

During the year, the company acquired property, plant and equipment with an aggregate cost of about \$4,404,000 (2005: \$12,614,000) of which \$2,258,000 (2005: \$1,022,000) were acquired by means of hire purchase contracts. Cash payment of about \$2,146,000 (2005: \$11,592,000) was made to purchase these property, plant and equipment.

See accompanying notes to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 30 June 2006

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 group was formed on 28 June 2005 as a result of a Restructuring Exercise undertaken for the purpose of the company's listing on the SGX-ST. The consolidated financial statements of the group for the financial year ended 30 June 2005 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 year ended 30 June 2005 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.

The financial statements of the company and of the group for the financial year ended 30 June 2006 were authorised for issue in accordance with a resolution of the directors on 18 August 2006.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(I) Basis of presentation

(a) Basis of accounting and preparation

The financial statements are expressed in Singapore Dollar and are prepared in accordance with the historical cost convention except as disclosed in the accounting policies below: -

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 as required by the Singapore Companies Act.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the group's accounting policies. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 30 June 2006

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(I) Basis of presentation (cont'd)

(b) Adoption of new and revised Singapore Financial Reporting Standards

In the current year, the group has adopted all of the new and revised FRS and Interpretations of FRS ("INT FRS") issued by the Council on Corporate Disclosure and Governance that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2005.

The adoption of these new and revised FRS and INT FRS has no material impact to the group's financial statements.

Certain FRS and INT FRS have been published that are effective for accounting periods beginning on or after 1 January 2006 or 1 January 2007, where applicable. The directors anticipate that the adoption of these FRS and INT FRS in future periods will have no material impact on the financial statements of the group.

(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.

In the company's financial statements, investments in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in the income statement. 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 effective dates of acquisition or up to the effective date of disposal, as appropriate. 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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members 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.

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

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 30 June 2006

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(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.

The cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use, any trade discounts and rebates are deducted in arriving at the purchase price. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul cost, is normally charged to the income statement in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of property, plant and equipment.

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 until they are no longer in use and no further charge for depreciation is made after property, plant and equipment are depreciated to their residual values.

The lease term of the leasehold land and buildings at 31/33 Pioneer Road North, Singapore is based on 50 years which includes the renewal option of 30 years as it is the directors' intention to renew this lease upon expiry and they are satisfied that the lease renewal conditions agreed with Jurong Town Corporation will be fulfilled.

The useful life and depreciated method are reviewed annually to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amounts of the assets and is recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 30 June 2006

2. 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 liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes.

Tax rates enacted or substantively enacted at the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

(e) Functional currency

Items included in the financial statements of each company in the group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that company (the "functional currency"). The financial statements of the group and of the company are presented in Singapore Dollar, which is the functional currency of the company.

(f) Foreign currencies

In preparing the financial statements of the company, transactions in currencies other than the company's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(g) Assets under hire purchase contracts

Where assets are under hire purchase contracts, 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.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 30 June 2006

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(h) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits. 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.

(j) Impairment of assets

At the 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 of such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is higher of fair value less costs to sell and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discounted rate that reflects current market assessments of the time value of money and risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reversed, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the assets (cash-generating unit) in prior years.

A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 30 June 2006

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(k) Provisions

Provision 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 embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are measured at the directors' best estimates of the expenditure required to settle the obligation at the balance sheet date, and are discounted to the present value where the effect is material.

(l) Employee benefits

Defined contribution plan

As required by the law, the group makes contributions to the state managed retirement 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 contributions.

Employee leave 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.

(m) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet, the fair value is re-measured. The gain or loss on re-measurement to fair value is recognised immediately in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 30 June 2006

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(n) Revenue recognition

Revenue is measured at the fair value of the consideration received or recoverable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

- (i) Revenue from trading is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customers which generally coincides with their delivery and acceptance of goods sold.
- (ii) Service income is recognised when services are rendered to the customers.
- (iii) Rental income is recognised over the lease period as and when it is earned.
- (iv) Income receivable from the rental of steel plates is accrued on a time proportionate basis over the period of usage.
- (v) Interest income is recognised on a time proportionate basis, using the effective interest rate method.
- (vi) Dividend income from investment is recognised when the shareholder's right to receive payment have been established.

(o) Trade and other debtors

Trade and other debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

(p) Liabilities and interest-bearing liabilities

Trade and other creditors are recognised initially at fair value. Interest-bearing liabilities are recognised initially at fair value less attributable transactions cost.

Subsequent to initial recognition, trade and other creditors and interest-bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowing on an effective interest basis.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 30 June 2006

3. SHARE CAPITAL

(a) Issued ordinary share capital

	Shares	Total \$'000
As at date of incorporation	100	— *
Issued during the financial year pursuant to the Restructuring Exercise (Note 1)	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 subdivision of each ordinary share of \$3.00 each into 50 ordinary shares of \$0.06 each	272,105,250	16,326
As at 30 June 2005	272,105,250	16,326
Issuance of ordinary shares	75,000,000	4,500
Transfer from share premium reserve	—	8,775
As at 30 June 2006	347,105,250	29,601

* Less than \$1,000

(b) In 2005, 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 subdivision 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;

As at 30 June 2005, the total authorised number of ordinary shares was 5,000,000,000 of \$0.06 each.

- In 2006, the company increased its issued and paid-up capital by way of issue of 75,000,000 ordinary shares 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.
- Pursuant to the Companies (Amendment) Act 2005, with effect from 30 January 2006, the concept of authorised share capital and par value was abolished and the shares of a company ceased to have a par value. The amount in the share premium reserve as at 30 January 2006 was transferred to the company's share capital.

All issued shares are fully paid. The company has one class of ordinary shares which carry one vote per share without restriction. The holders of the ordinary shares are entitled to receive dividends as and when declared by the company.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 30 June 2006

4. BILLS PAYABLE AND BANK LOANS

	GROUP	
	2006 \$'000	2005 \$'000
Bills payable to banks	13,481	9,175
Bank loan I	–	620
Bank loan II	2,236	2,347
Bank loan III	2,114	2,329
Bank loan IV	1,584	2,083
Short-term bank loans	6,225	5,200
	25,640	21,754
Current portion	(20,526)	(15,556)
Non-current portion	5,114	6,198

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.

(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 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.

The short-term and long-term bank loans are secured by leasehold land and buildings as disclosed in Note 10. In 2006, one of the short-term bank loans is also secured by a charge on a plant and equipment with carrying amount of about \$1,496,000.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 30 June 2006

4. BILLS PAYABLE AND BANK LOANS (CONT'D)

Bills payable

- (i) 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 carrying amount of about \$6,309,000 (2005: \$6,357,000) (Note 10) and joint and several guarantees by certain directors of the company or corporate guarantee given by the company are as follows: -

	GROUP	
	2006 \$'000	2005 \$'000
Bills payable	13,481	4,273

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

	GROUP	
	2006 \$'000	2005 \$'000
Bills payable	-	4,902

The carrying amounts of the bills payable and bank loans are denominated in the following currencies: -

	Bills payable \$'000	Bank loans \$'000	Total \$'000
30 June 2006			
Singapore Dollar	2,661	12,159	14,820
United States Dollar	10,820	-	10,820
	13,481	12,159	25,640
30 June 2005			
Singapore Dollar	800	12,579	13,379
United States Dollar	8,375	-	8,375
	9,175	12,579	21,754

The effective rates of interest range from 2.5% to 6.69% (2005: 2% to 6.25%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 30 June 2006

5. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

	GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Minimum lease payments payable: -				
Within one year	1,770	1,112	1,718	1,074
Within two to five years	30	132	26	107
	1,800	1,244	1,744	1,181
Finance charges allocated to future periods	(56)	(63)	-	-
Present value of minimum lease payments	1,744	1,181	1,744	1,181
Less: Repayable within one year included under current liabilities			(1,718)	(1,074)
Repayable after one year			26	107

The effective rates of interest range from 2.4% to 5% (2005: 2.2% to 5%) per annum.

The hire purchase contracts are secured against the respective assets under hire purchase, corporate guarantees by the company and personal guarantee by certain directors of the group.

6. DEFERRED TAXATION

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

7. TRADE CREDITORS

	GROUP		COMPANY	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Outside parties	8,451	5,649	132	100

The carrying amounts of the trade creditors are denominated in the following currencies: -

	GROUP		COMPANY	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Singapore Dollar	6,822	4,659	132	100
Euro	82	-	-	-
United States Dollar	1,547	990	-	-
	8,451	5,649	132	100

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 30 June 2006

8. OTHER CREDITORS

	GROUP		COMPANY	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Accruals for directors' fees	101	–	101	–
Rental deposit received	397	277	–	–
Subsidiary	–	–	–	636
Sundry creditors	301	372	7	–
	799	649	108	636

The amount due to a subsidiary was unsecured, free of interest and repayable on demand.

9. NON-HEDGING CURRENCY DERIVATIVE FINANCIAL INSTRUMENTS

The group utilises foreign forward contracts / options to purchase / sell United States Dollar in the managing of its foreign exchange exposures.

At the balance sheet date, the total notional amount of outstanding forward foreign exchange contracts to which the group is committed are as follows: -

	GROUP	
	2006 \$'000	2005 \$'000
Forward foreign currency contracts		
– Bought	–	1,740
– Sold	9,522	2,242

At the balance sheet date, the total notional amount of outstanding forward foreign currency put and call options are about SGD28,566,000 (USD18,000,000) and SGD27,773,000 (USD17,500,000) respectively. As at the date of this report, SGD9,522,000 (USD6,000,000) of the forward foreign currency put option had been lapsed.

Changes in the fair value of non-hedging currency derivative financial instruments amounting to about \$335,000 (2005: \$Nil) have been charged to the income statement.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 30 June 2006

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
Additions	157	306	60	424	33	1,371	2,053	4,404
Transfer	5,705	(5,705)	—	—	—	—	—	—
Disposals	—	—	—	—	(2)	(380)	(799)	(1,181)
As at 30 June 2006	25,637	—	701	1,920	328	11,695	4,440	44,721
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
Depreciation charged for the year	937	—	71	157	32	1,030	349	2,576
Disposals	—	—	—	—	(2)	(310)	(799)	(1,111)
As at 30 June 2006	4,529	—	427	1,164	231	6,818	1,892	15,061
Carrying amount: -								
As at 30 June 2006	21,108	—	274	756	97	4,877	2,548	29,660
As at 30 June 2005	16,183	5,399	285	489	96	4,606	844	27,902

Certain plant and equipment with carrying amount of about \$2,213,000 (2005: \$2,333,000) are under hire purchase contracts.

Leasehold land and buildings with carrying amount of about \$16,224,000 (2005: \$18,735,000) are under mortgage with banks (Note 4).

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 30 June 2006

10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Particulars of the properties held by the group are as follows: -

Location	Description	Tenure
76 Joo Koon Circle Singapore 629096	Warehouse with land area of 4,920 square metres Partially sub-leased to third parties	Lease of 30 years ending 30 September 2010
119 Neythal Road Singapore 628605	Land area of 13,220 square metres Leased to third parties	Lease of 60 years ending 30 June 2039
31 Pioneer Road North Singapore 628472 and 33 Pioneer Road North Singapore 628474	Office premises, factory and warehouse with land area of 7,739 square metres	Lease of 30 years ending 30 April 2023 *
14 Gul Road Singapore 629344	Yard with land area of 21,089 square metres	Lease of 30 years ending 15 January 2010 *
30 Tuas South Avenue 8 Singapore 637653	Factory with land area of 8,300 square metres Partially sub-leased to third parties	Lease of 30 years ending 31 August 2028 *
Jalan Samulun Singapore 629120	Yard-cum-factory with land area of 9,590 square metres	Lease of 26 years ending 15 April 2030
4 Pioneer Sector 1 Singapore 628416	Warehouse with land area of 11,270 square metres Partially sub-leased to third parties	Lease of 30 years ending 31 May 2011
8 Tuas View Square Singapore 637574	Land area of 4,500 square metres Leased to third parties	Lease of 60 years ending 29 October 2056

* The lease term of these properties are with options of a further 30 years granted by Jurong Town Corporation subject to terms of the options.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 30 June 2006

11. SUBSIDIARIES

			COMPANY			
			2006 \$'000		2005 \$'000	
Unquoted equity shares, at cost			16,506		16,326	
Name of subsidiaries	Principal activities	Country of incorporation/ place of business	Percentage of equity held % %		Cost of investment \$'000 \$'000	
Union Steel Pte. Ltd. +	Recycling of non-ferrous metal and stainless steel	Singapore	100	100	4,093	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	100	100	12,105	12,105
Yew Lee Seng Metal Pte Ltd +	Demolition of buildings and trading of ferrous and non-ferrous scrap metals	Singapore	100	100	308	128
					16,506	16,326

+ Audited by LTC & Associates, Singapore

12. STOCKS

		GROUP	
		2006	2005
		\$'000	\$'000
Trading stocks		27,138	15,193

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 30 June 2006

13. TRADE DEBTORS

	GROUP	
	2006 \$'000	2005 \$'000
Outside parties	11,446	10,932
Less: Allowances for doubtful debts	(205)	(214)
	11,241	10,718

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

	GROUP	
	2006 \$'000	2005 \$'000
Balance at beginning of year	214	219
Allowances made	14	12
Allowances utilised	–	(17)
Allowances reversed	(23)	–
Balance at end of year	205	214

The carrying amounts of the trade debtors are denominated in the following currencies: -

	GROUP	
	2006 \$'000	2005 \$'000
Singapore Dollar	6,233	5,029
United States Dollar	5,008	5,689
	11,241	10,718

14. OTHER DEBTORS AND PREPAYMENTS

	GROUP		COMPANY	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Advance payment to supplier for the purchase of plant and equipment	277	–	–	–
Dividends receivable from subsidiaries	–	–	4,000	5,000
Prepayments	143	734	5	636
Subsidiaries	–	–	7,111	–
Sundry debtors	–	83	–	–
Tax recoverable	20	20	20	20
	440	837	11,136	5,656

The amounts due from subsidiaries are unsecured, free of interest and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 30 June 2006

15. CASH AND BANK BALANCES

	GROUP		COMPANY	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Cash and bank balances	7,044	3,926	130	–
Fixed deposits, unpledged	5,053	–	5,053	–
	12,097	3,926	5,183	–

The carrying amounts of the cash and bank balances are denominated in the following currencies: -

	GROUP		COMPANY	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Singapore Dollar	9,506	2,421	5,172	–
United States Dollar	2,591	1,505	11	–
	12,097	3,926	5,183	–

The fixed deposits bear effective rates of interest range from 3.16% to 3.23% per annum.

The maturity period for the fixed deposits range from 19 days to 26 days from the financial year end.

16. REVENUE

	GROUP	
	2006 \$'000	2005 \$'000
Trading income	133,757	110,317
Service and rental income	2,265	2,434
	136,022	112,751

17. OTHER OPERATING INCOME

	GROUP	
	2006 \$'000	2005 \$'000
Foreign exchange gain	–	135
Bad trade debts recovered	1	–
Gain on disposal of plant and equipment	304	76
Rental income	2,538	1,734
Interest income	141	–
Sundry income	790	425
	3,774	2,370

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 30 June 2006

18. FINANCE COST

	GROUP	
	2006 \$'000	2005 \$'000
Bank loans interest	458	275
Bank overdrafts interest	–	2
Hire purchase interest	66	50
Trust receipts interest	672	110
	<u>1,196</u>	<u>437</u>

19. PROFIT BEFORE TAXATION

	GROUP	
	2006 \$'000	2005 \$'000
This is determined after charging / (crediting): -		
Allowances for doubtful trade debts	14	12
Allowances reversed for doubtful trade debts no longer required	(23)	–
Auditors' remuneration - other services	–	5
Bad trade debts recovered	1	–
Changes in fair value of non-hedging currency derivative financial instruments	335	–
Depreciation of property, plant and equipment	2,576	2,357
Directors' fees	101	–
Directors' remuneration		
- directors of the company	1,775	938
Foreign exchange loss / (gain), net	112	(72)
Gain on disposal of plant and equipment	(304)	(76)
Interest expense to non-related companies	1,196	437
Interest income from non-related companies	(141)	–

20. TAXATION

	GROUP	
	2006 \$'000	2005 \$'000
Current year taxation	1,550	2,011
Deferred taxation	120	280
	<u>1,670</u>	<u>2,291</u>

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 30 June 2006

20. TAXATION (CONT'D)

The income tax expense varied from the amount of tax expense by applying the Singapore income tax rate of 20% (2005: 20%) to profit before taxation as a result of the following differences: -

	GROUP	
	2006 \$'000	2005 \$'000
Accounting profit	8,002	11,890
Income tax expenses at statutory tax rate	1,600	2,378
Tax effect on non-allowable items	61	81
Tax saving on partial exempt income	(31)	(31)
Underprovision in current year	–	(200)
Others	40	63
	1,670	2,291

21. BASIC EARNING PER SHARE

In 2006, basic earning per share is calculated based on the weighted average number of ordinary shares of 340,855,250.

In 2005, basic earning per share is calculated based on the pre-invitation ordinary shares of 272,105,250 (Note 3(b)).

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

22. STAFF COST

	GROUP		COMPANY	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Wages, salaries and bonus	5,007	3,730	1,034	–
Employers' contribution to Central Provident Fund and SDL	298	304	46	–
Other staff related expenses	378	96	225	–
	5,683	4,130	1,305	–

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 30 June 2006

23. KEY MANAGEMENT PERSONNEL COMPENSATION

The remuneration of directors and other members of key management during the year are as follows: -

	GROUP		COMPANY	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Short-term benefits	2,165	1,265	1,230	-

24. 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	
	2006	2005
Executive directors		
Above \$750,000	1	-
\$500,000 - \$749,999	1	-
\$250,000 - \$499,999	1	3
Non-executive directors		
Below \$250,000	3	3
	6	6

25. CONTINGENT LIABILITIES

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

	GROUP	
	2006 \$'000	2005 \$'000
Bankers' guarantee	56	230
Performance guarantee	-	72
Letter of credit	5,157	6,028
	5,213	6,330

Corporate guarantee are given by the company to financial institutions for credit facility granted to the subsidiaries.

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

The details of the securities are disclosed in Note 4.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 30 June 2006

26. OPERATING LEASE COMMITMENTS

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

	GROUP	
	2006 \$'000	2005 \$'000
Payable: -		
Not later than one year	1,423	1,315
Later than one year and not later than five years	3,623	3,856
Later than five years	7,160	8,394

The rental expenses for the current year were about \$1,460,000 (2005: \$1,455,000).

27. 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.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 30 June 2006

27. SEGMENT INFORMATION (CONT'D)

(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.

	Recycling		Trading		Others		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
REVENUE								
Total revenue	113,055	98,497	20,702	11,820	2,265	2,434	136,022	112,751
RESULT								
Segment result	5,911	9,229	2,526	2,211	486	917	8,923	12,357
Other operating income							3,774	2,370
Unallocated corporate expenses							(3,499)	(2,400)
Profit from operations							9,198	12,327
Finance cost							(1,196)	(437)
Profit before taxation							8,002	11,890
Taxation							(1,670)	(2,291)
Profit after taxation							6,332	9,599

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 30 June 2006

27. SEGMENT INFORMATION (CONT'D)

(ii) Geographical segments

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

	Revenue	
	2006	2005
	\$'000	\$'000
China	41,973	14,900
Singapore	35,931	22,247
Bangladesh	22,411	10,393
India	16,059	22,359
Indonesia	5,677	24,865
Malaysia	4,433	1,338
Japan	1,073	3,451
Taiwan	819	2,592
Sri Lanka	308	2,458
Germany	259	3,058
Others *	7,079	5,090
	136,022	112,751

* Include Belgium, Brazil, Brunei, Cambodia, Egypt, Hong Kong, Korea, Kenya, Maldives, Myanmar, Netherlands, Nepal, New Zealand, Philippines, Pakistan, Turkey, Thailand, United Kingdom, and Vietnam.

28. SUBSEQUENT EVENT

The directors of the company recommended that a first and final tax exempt dividend of 0.65 cents per ordinary share totalling \$2,256,184 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.

29. FINANCIAL RISK AND MANAGEMENT

The group's activities expose it to variety of financial risks, including the effect 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.

Foreign exchange risk

The group is exposed to foreign currency transactional risks. Certain of the group purchases and sales are denominated in United States Dollar.

In order to manage it's exposure to certain foreign exchange risks, the company enters into forward currency contracts.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 30 June 2006

29. FINANCIAL RISK AND MANAGEMENT (CONT'D)

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.

The group also manages its interest rate risks on its interest income by placing the cash balances in varying maturities and interest rate terms.

Credit risk

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

The group places its cash with creditworthy institutions.

Liquidity risk

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

Fair value

Fair value is defined as the amount at which a financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale.

The carrying amounts of the financial assets and financial liabilities approximate to their fair values due to their short-term nature.

SHAREHOLDING STATISTICS

As at 18 September 2006

Issued and fully paid	:	SGD 29,601,619
Number of shares	:	347,105,250 Ordinary shares
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS AS AT 18 SEPTEMBER 2006

Size of shareholdings	No. of shareholders	%	No. of Shares	%
1 - 999	0	0.00	0	0.00
1,000 - 10,000	772	44.24	5,183,000	1.49
10,001 - 1,000,000	963	55.19	70,261,000	20.24
1,000,001 and above	10	0.57	271,661,250	78.27
Total	1,745	100.00	347,105,250	100.00

TWENTY LARGEST SHAREHOLDERS AS AT 18 SEPTEMBER 2006

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	40,449,788	11.65
4	Lian Bee Metal Pte Ltd	5,668,000	1.63
5	OCBC Securities Private Ltd	2,143,000	0.62
6	Kim Eng Securities Pte. Ltd.	1,908,000	0.55
7	DBS Vickers Securities (S) Pte Ltd	1,452,000	0.42
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	1,199,000	0.35
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	Ho Su Chue Mrs Tan Su Chue	750,000	0.21
15	Poh Seng Kui	750,000	0.21
16	Ong Chye Tab	700,000	0.20
17	Sim Yeow Hua	650,000	0.19
18	United Overseas Bank Nominees Pte Ltd	639,000	0.18
19	Hong Leong Finance Nominees Pte Ltd	580,000	0.17
20	OCBC Nominees Singapore Pte Ltd	523,000	0.15
Total:		279,253,250	80.45

Based on the information available to the Company as at 18 September 2006, approximately 25.75% 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.

SHAREHOLDING **STATISTICS**

As at 18 September 2006

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	40,449,788	11.65

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 Friday, 27 October 2006 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 year ended 30 June 2006 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\$0.0065 per ordinary share for the financial year ended 30 June 2006. **[Resolution 2]**
3. To approve the payment of Directors' Fees of \$101,000 for the financial year ended 30 June 2006. (2005: \$Nil) **[Resolution 3]**
4. To re-elect the following Directors retiring **by rotation** pursuant to Article 91 of the Company's Articles of Association.

(i)	Mr Ang Yu Seng	[Resolution 4]
(ii)	Mr Ang Yew Lai	[Resolution 5]

Mr Ang Yu Seng will, upon re-election as Director of the Company, remain as a member of the Nominating Committee.
5. To re-appoint Messrs LTC & Associates as the Auditors of the Company and to authorise the Directors to fix their remuneration. **[Resolution 6]**
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

NOTICE OF **ANNUAL GENERAL MEETING**

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 7]

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

"That pursuant to the provision of The Union Steel Holdings 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 8]

By Order of The Board

HELEN CAMPOS THOMAS

Company Secretary

Singapore

11 October 2006

NOTICE OF **ANNUAL GENERAL MEETING**

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.

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.

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 15 November 2006 for the preparation of dividend warrants.

Duly completed registrable transfers received by the Company's Registrar, B.A.C.S. Pte Ltd, 63 Cantonment Road Singapore 089758, up to the close of business at 5.00 p.m. on 14 November 2006 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 14 November 2006 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 27 October 2006, will be made on 28 November 2006.

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UNION STEEL HOLDINGS LIMITED

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

PROXY FORM

(Please see notes overleaf before completing this Form)

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.

*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)

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as my/our proxy 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 27 October 2006 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 year ended 30 June 2006 together with the Auditors' Report thereon.		
2	Declaration of an exempt (1-tier) first and final dividend of S\$0.0065 per ordinary share for the financial year ended 30 June 2006.		
3	Approval of Directors' Fees of \$101,000 for the financial year ended 30 June 2006.		
4	Re-election of Mr Ang Yu Seng retiring pursuant to Article 91 of the Company's Articles of Association.		
5	Re-election of Mr Ang Yew Lai retiring pursuant to Article 91 of the Company's Articles of Association.		
6	Re-appointment of Messrs LTC & Associates as Auditors of the Company and authorization of Directors to fix their remuneration.		
7	Authority to Directors to allot and issue new shares.		
8	Authority to grant options and issue shares under The UNION STEEL HOLDINGS Employee Share Option Scheme.		

Dated this _____ day of _____ 2006

Total number of Shares Held

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

* Delete accordingly



Notes: -

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50), you should insert that number of shares. If you have shares registered in your name in the Register of members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. 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.

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

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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.

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www.unionsteel.com.sg



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