

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

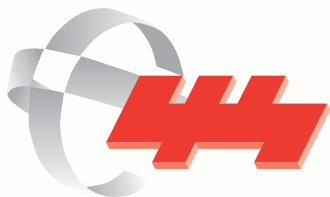
We have made an application to the Singapore Exchange Securities Trading Limited (the "SGX-ST") for permission to deal in, and for quotation of, all the ordinary shares of S\$0.06 each (the "Shares") in the capital of Union Steel Holdings Limited (the "Company") already issued (including the Vendor Shares (as defined herein)), the new shares which are the subject of this Invitation (the "New Shares") and the Shares which may be issued upon the exercise of the options to be granted under the Union Steel Holdings Employee Share Option Scheme (the "Option Shares"). Such permission will be granted when we have been admitted to the Official List of the SGX-ST. **The dealing and quotation of our Shares will be in Singapore Dollars.**

Acceptance of applications will be conditional upon, *inter alia*, the issue of the New Shares and the SGX-ST granting permission to deal in, and for quotation of, all our existing issued Shares (including the Vendor Shares), the New Shares and the Option Shares. If the completion of the Invitation does not occur because permission is not granted or for any other reasons, monies paid in respect of any application accepted will be returned to you at your own risk, without interest or any share of revenue or other benefit arising therefrom and you will not have any claim against us, the Vendors, the Manager, the Underwriter or the Placement Agent.

The SGX-ST assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Prospectus. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Invitation, our Company, our subsidiaries, our Shares (including the Vendor Shares), the New Shares or the Option Shares.

A copy of this Prospectus, together with the Application Forms (as defined herein), has been lodged with and registered by the Monetary Authority of Singapore (the "Authority"). The Authority assumes no responsibility for the contents of this Prospectus. Registration of this Prospectus by the Authority does not imply that the Securities and Futures Act, Chapter 289 of Singapore, or any other legal or regulatory requirements, have been complied with. The Authority has not, in any way, considered the merits of our Shares (including the Vendor Shares), the New Shares or the Option Shares, as the case may be, being offered or in respect of which an invitation is made, for investment.

Investing in our Shares involves risks which are described in the section entitled "Risk Factors" of this Prospectus. No Shares shall be allotted and/or allocated on the basis of this Prospectus later than six months after the date of registration of this Prospectus.



UNION STEEL HOLDINGS LIMITED

友联钢铁控股有限公司

Union Steel Holdings Limited

Company Registration Number: 200410181W
(Incorporated in the Republic of Singapore on 12 August 2004)

Invitation in respect of 89,000,000 ordinary shares of S\$0.06 each comprising 75,000,000 New Shares and 14,000,000 Vendor Shares as follows:

(a) 4,200,000 Offer Shares at S\$0.20 for each Offer Share by way of public offer; and

(b) 84,800,000 Placement Shares by way of placement, comprising:

(i) 76,000,000 Placement Shares at S\$0.20 for each Placement Share; and

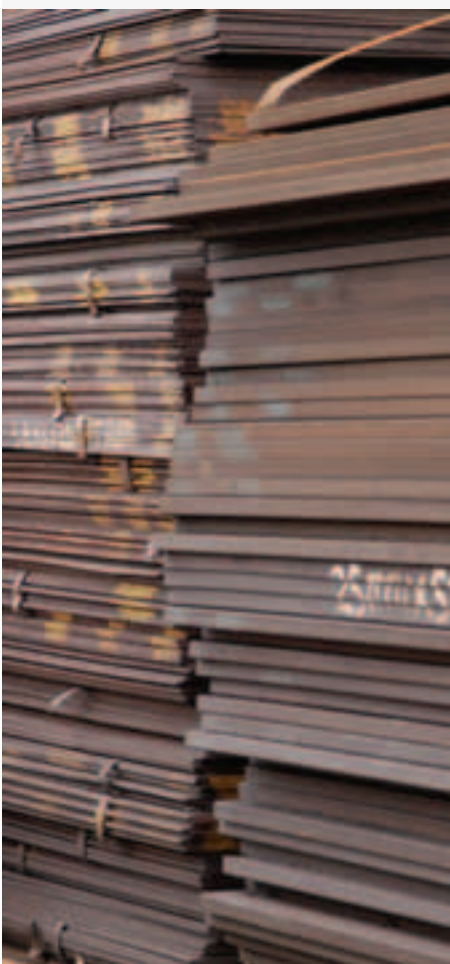
(ii) 8,800,000 Reserved Shares at S\$0.20 for each Reserved Share reserved for our Independent Directors and Non-Executive Directors, employees, business associates of our Group and those who have contributed to the success of our Group,

payable in full on application.

Manager, Underwriter and Placement Agent



Applications must be received by 12.00 noon on 11 August 2005 or such other time and date as our Company and the Vendors may, in consultation with the Manager, decide, subject to any limitations under all applicable laws.



OUR BUSINESS

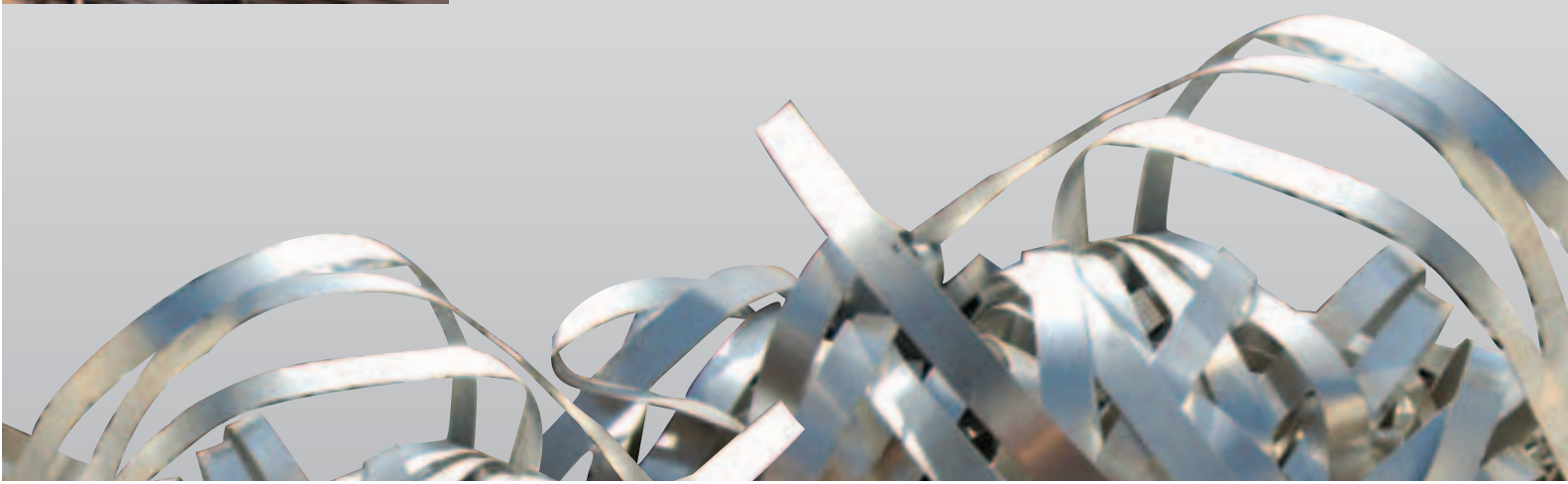
Our Directors believe that we are one of the largest metals recyclers in Singapore in terms of volume of metals recycled.

We have a customer base of over 500 customers, which include steel mills, foundries, metal fabricators, metal brokers, trading houses, construction companies and engineering companies.

Our Group's history can be traced back to 1984 when YLS Steel Pte Ltd was formed to trade in scrap metals. This was followed by the incorporation of Yew Lee Seng Metal Pte Ltd in 1988 to collect scrap metals, and Union Steel Pte. Ltd. in 1991 to engage in the complementary business of collecting, recycling and trading in all grades of non-ferrous scrap metals.

Today, our Group provides customers with a one-stop supply centre for their recycled metals needs. We mainly trade in a wide range of steel products, including steel plates, reinforcement steel bars, H-beams, I-beams, pipes and sheet piles.

To complement our core business of recycling ferrous and non-ferrous metals and to provide a vertically-integrated service, we also operate waste collection and management, demolition works and car scrapping services through which we collect scrap metals at a competitive cost for our recycling business.



OUR COMPETITIVE STRENGTHS

- **Our experienced management team and our dedication to operational excellence**

Each of our Executive Directors has more than 20 years of experience in the industry and has contributed to our growth over the years.

- **Our wide range of processed metals provides our customers with a one-stop supply centre for their recycled metals needs and services**

Our Directors believe that we are one of the few companies in Singapore to provide fully integrated recycling services for both ferrous and non-ferrous scrap metals.

- **Our vertically-integrated business**

Our waste collection and management, demolition works and car scrapping services provide us with

a regular supply of scrap metals at a competitive cost for our recycling business. We believe this vertical integration gives us a competitive advantage.

- **Our large customer base**

We believe our wide customer base of over 500 customers, in countries such as the PRC, India, Indonesia, Japan, Malaysia and Singapore, helps insulate us from any downturn in any particular country.

- **Our commitment to providing quality products to our customers**

The ISO9001:2000 certification obtained by us in 2003 allows us to compete more effectively in the domestic and international scrap metals market.



- **Our strong sales and marketing team**

Our strong sales and marketing team, headed by our Executive Directors, has successfully established a strong sales network that includes sales in the PRC, India, Indonesia, Japan, Malaysia, Hong Kong, Taiwan, Thailand and Myanmar.



Our Global Markets

OUR FACILITIES INCLUDE:



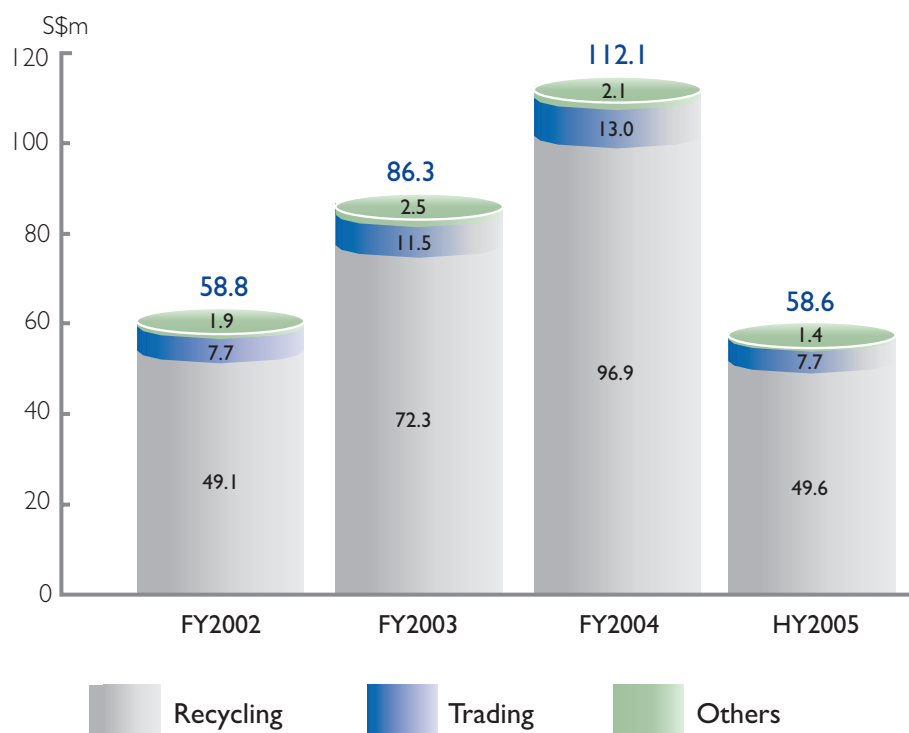
Location	Approximate Land Area (sq m)	Principal Activities
4 Pioneer Sector I Singapore 628416*	11,270	Warehouse for storage of steel products
14 Defu Lane 11 Singapore 539170	4,750	Yard for storage of ferrous and non-ferrous scrap metals
14 Gul Road Singapore 629344	21,089	Yard for steel products and processing of ferrous scrap metals
31 Pioneer Road North Singapore 628472 and 33 Pioneer Road North Singapore 628474	7,739	Office premises, factory and warehouse for processing and storage of non-ferrous scrap metals

* Partially sub-leased to third parties.

OUR CERTIFICATIONS & ACCOLADES

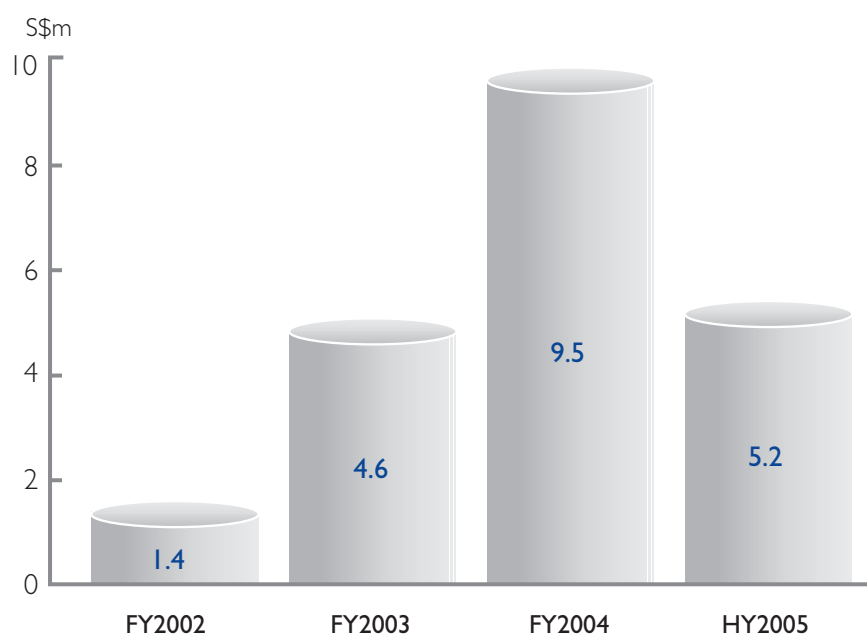
2001	YLS Steel and Union Steel obtained ISO9002: 1994 status.
2003	YLS Steel and Union Steel obtained ISO9001: 2000 status. Union Steel was presented with the “Enterprise 50 Award”.
2004	Union Steel was ranked one of the top small and medium enterprises in the annual Singapore 500 Small Medium Enterprises awards. Union Steel was presented with the “Fastest Growing 50 Certification”. Union Steel and YLS Steel were each presented with the “Enterprise 50 Award”.
2005	Union Steel obtained ISO:14001 status.

GROUP REVENUE



Figures may not add up due to rounding adjustments.

GROUP NET PROFIT



OUR PROSPECTS

Demand for metals

We believe that the demand for metals is likely to increase globally including the Asia-Pacific region as the PRC and other Asian nations continue their economic and infrastructural expansions.

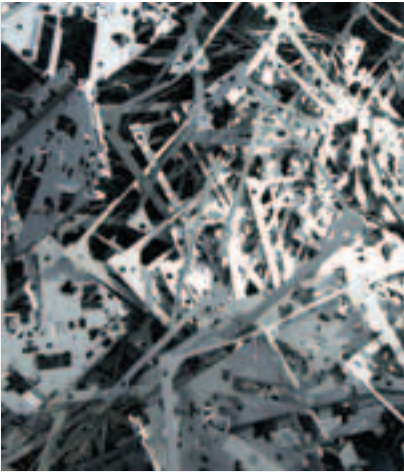
Geographical markets

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

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

DIVIDEND POLICY

For the financial year ended 30 June 2005, barring any material adverse developments, our Directors will consider a target dividend payout ratio of approximately 30 per cent. of our profit after tax for the said year.



OUR BUSINESS STRATEGIES AND FUTURE PLANS

Expand our sources of supply of scrap metals

We plan to seek new sources of scrap metals, particularly non-ferrous metals, from countries in the Middle East and Asia.

Increase our product range

We believe that having a broad product line will provide us with additional income streams.

Diversify into metal-related businesses

We intend to seek expansion opportunities to provide us with additional sources of revenue, and are presently considering forming joint ventures with strategic partners in Indonesia and the PRC.

Continue to capture the potential benefits of business integration

We intend to increase the scope of our demolitions business to provide us with additional revenues and increase our supply of scrap metals. We believe that through the continued integration of our businesses, we will be able to enhance our competitive position and profitability because of broader supply channels and increased economies of scale.

Maximise our operating margins by investing in advanced metals recycling equipment and machinery

We intend to invest in machinery and equipment to enhance the cost-effectiveness of our operations, maximise economies of scale and improve our operational efficiency and capabilities.



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CORPORATE INFORMATION

BOARD OF DIRECTORS	:	Ang Yu Seng (<i>Chief Executive Officer</i>) Ang Yew Lai (<i>Executive Director</i>) Ang Yew Chye (<i>Executive Director</i>) Chan Kok Poh (<i>Non-Executive Director</i>) Chang Yeh Hong (<i>Independent Director</i>) Siau Kai Bing (<i>Independent Director</i>)
COMPANY SECRETARY	:	Helen Thomas, LLB (Hons) London, F.C.I.S. (United Kingdom and Singapore)
REGISTERED OFFICE	:	33 Pioneer Road North Singapore 628474
REGISTRATION NUMBER	:	200410181W
SHARE REGISTRAR FOR THE INVITATION AND SHARE TRANSFER OFFICE	:	B.A.C.S. Private Limited 63 Cantonment Road Singapore 089758
MANAGER, UNDERWRITER, PLACEMENT AGENT AND RECEIVING BANK	:	Oversea-Chinese Banking Corporation Limited 65 Chulia Street #29-02/04 OCBC Centre Singapore 049513
AUDITORS AND INDEPENDENT AUDITORS	:	LTC & Associates Certified Public Accountants 1 Raffles Place #20-02 OUB Centre Singapore 048616
SOLICITORS TO THE INVITATION	:	Venture Law LLC 50 Raffles Place #31-01 Singapore Land Tower Singapore 048623
PRINCIPAL BANKER	:	Oversea-Chinese Banking Corporation Limited 65 Chulia Street #29-02/04 OCBC Centre Singapore 049513
VENDORS	:	Ang Yu Seng 63 Saraca Road Seletar Hills Estate Singapore 807400 Ang Yew Lai 35 Dairy Farm Road #08-01 Singapore 679052 Ang Yew Chye 32 Lorong Tanggam Singapore 798732

DEFINITIONS

In this Prospectus and the accompanying Application Forms and, in relation to the Electronic Applications, the instructions appearing on the screens of the ATMs of the Participating Banks, unless the context otherwise requires, the following terms or expressions shall have the following meanings:

Companies in the Group

<i>"Company"</i>	:	Union Steel Holdings Limited
<i>"Group"</i>	:	Union Steel Holdings Limited and its subsidiaries
<i>"Pro Forma Group"</i>	:	Our Group, assuming that our group structure as of the date of this Prospectus had been in place since 1 July 2001
<i>"Union Steel"</i>		Union Steel Pte. Ltd.
<i>"Yew Lee Seng Metal"</i>	:	Yew Lee Seng Metal Pte Ltd
<i>"YLS Steel"</i>	:	YLS Steel Pte Ltd

Other Companies and Organisations

<i>"Authority" or "MAS"</i>	:	The Monetary Authority of Singapore
<i>"CDP" or "Depository"</i>	:	The Central Depository (Pte) Limited
<i>"SCCS"</i>	:	Securities Clearing & Computer Services (Pte) Ltd
<i>"SGX-ST"</i>	:	Singapore Exchange Securities Trading Limited

General

<i>"Adjusted NTA"</i>	:	The NTA per Share based on the unaudited pro forma balance sheet of our Group as at 31 December 2004, after taking into account the Restructuring Exercise, the Consolidation and the Sub-division of Shares
<i>"Application Forms"</i>	:	The printed application forms to be used for the purpose of the Invitation and which form part of this Prospectus
<i>"Application List"</i>	:	The list of applications for subscription for or purchase of the Invitation Shares
<i>"Articles"</i>	:	The Articles of Association of the Company as amended, supplemented or modified from time to time
<i>"Associates"</i>	:	(a) in relation to any Director, CEO, Substantial Shareholder or Controlling Shareholder (being an individual) means: <ul style="list-style-type: none">(i) his immediate family;(ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and(iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more; and

DEFINITIONS

	(b)	in relation to a Substantial Shareholder or a Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
<i>"ATM"</i>	:	Automated teller machine of a Participating Bank
<i>"Audit Committee"</i>	:	The audit committee of our Company as at the date of this Prospectus, unless otherwise stated
<i>"CEO"</i>	:	The chief executive officer of our Company as at the date of this Prospectus, unless otherwise stated
<i>"Companies Act" or "Act"</i>	:	The Companies Act, Chapter 50 of Singapore
<i>"Consolidation"</i>	:	The consolidation of three ordinary shares of S\$1.00 each in the authorised and issued share capital of our Company into one ordinary share of S\$3.00 each
<i>"Controlling Shareholder"</i>	:	A person who holds directly or indirectly 15% or more of the nominal amount of all our Shares, or in fact exercises control over our Company
<i>"Directors"</i>	:	The directors of our Company as at the date of this Prospectus, unless otherwise stated
<i>"Electronic Applications"</i>	:	Applications for the Offer Shares made through an ATM of one of the Participating Banks, in accordance with the terms and conditions of this Prospectus
<i>"Enterprise 50 Award"</i>	:	The "Enterprise 50 Award" is an award for the 50 most enterprising Singapore incorporated private companies
<i>"EPS"</i>	:	Earnings per Share
<i>"Executive Directors"</i>	:	The executive Directors of our Company as at the date of this Prospectus, unless otherwise stated
<i>"Executive Officers"</i>	:	The executive officers of our Group as at the date of this Prospectus, unless otherwise stated
<i>"Fastest Growing 50 Certification"</i>	:	The "Fastest Growing 50 Certification" builds on DP Info Network Group's "Singapore 1000" and "Singapore SME 500" performance ranking which is based on companies' annual audited financial results. "Singapore 1000", first published in 1990, ranks Singapore's top 1,000 corporations while "Singapore SME 500", first published in 2000, identifies the top 500 small and medium enterprises. The "Fastest Growing Certification" recognises the fastest growing 50 Singapore incorporated private companies in the "Singapore 1000" and "Singapore SME 500" categories
<i>"FY"</i>	:	Financial year ended or, as the case may be, ending 30 June

DEFINITIONS

<i>"HY"</i>	:	Half year ended or, as the case may be, ending 31 December
<i>"Independent Directors"</i>	:	The independent Directors of our Company as at the date of this Prospectus, unless otherwise stated
<i>"Invitation"</i>	:	The invitation by our Company and the Vendors to the public in Singapore to subscribe for and/or purchase the Invitation Shares at the Invitation Price, subject to and in accordance with the terms and conditions of this Prospectus
<i>"Invitation Shares"</i>	:	The 89,000,000 Shares which are the subject of the Invitation, comprising the New Shares and the Vendor Shares
<i>"Invitation Price"</i>	:	S\$0.20 for each Invitation Share
<i>"Latest Practicable Date"</i>	:	16 June 2005, being the latest practicable date prior to the lodgement of this Prospectus with the Authority
<i>"Market Day"</i>	:	A day on which the SGX-ST is open for trading in securities
<i>"New Shares"</i>	:	The 75,000,000 new Shares for which our Company invites applications to subscribe pursuant to the Invitation, in each case subject to and on the terms and conditions of this Prospectus
<i>"Nominating Committee"</i>	:	The nominating committee of our Company as at the date of this Prospectus, unless otherwise stated
<i>"Non-Executive Directors"</i>	:	The non-executive Directors of our Company as at the date of this Prospectus, unless otherwise stated
<i>"NTA"</i>	:	Net tangible assets
<i>"OCBC Bank", "Manager", "Underwriter", "Placement Agent" or "Receiving Bank"</i>	:	Oversea-Chinese Banking Corporation Limited
<i>"Offer"</i>	:	The offer by our Company and the Vendors of the Offer Shares to the public in Singapore for subscription and/or purchase at the Invitation Price, subject to and in accordance with the terms and conditions of this Prospectus
<i>"Offer Shares"</i>	:	The 4,200,000 Invitation Shares which are the subject of the Offer
<i>"Option Shares" or "Options"</i>	:	The option shares to be granted to our Independent Directors and Non-Executive Directors and employees under the Union Steel Holdings Employee Share Option Scheme as described in the section entitled "Directors, Management and Staff" and the "Rules of the Union Steel Holdings Employee Share Option Scheme" as set out in Appendix VII of this Prospectus
<i>"Participating Banks"</i>	:	OCBC Bank, DBS Bank Ltd (including POSB) ("DBS") and United Overseas Bank Limited and its subsidiary, Far Eastern Bank Limited (the "UOB Group")

DEFINITIONS

<i>“Placement”</i>	:	The placement of the Placement Shares by the Placement Agent on behalf of our Company and the Vendors for subscription and/or purchase at the Invitation Price subject to and in accordance with the terms and conditions of this Prospectus
<i>“Placement Shares”</i>	:	The 84,800,000 Invitation Shares (including the Reserved Shares), which are the subject of the Placement
<i>“PRC”</i>	:	People’s Republic of China, excluding Hong Kong and Macau for the purposes of this Prospectus
<i>“Prospectus”</i>	:	This prospectus dated 2 August 2005
<i>“Remuneration Committee”</i>	:	The remuneration committee of our Company as at the date of this Prospectus, unless otherwise stated
<i>“Reserved Shares”</i>	:	The 8,800,000 Placement Shares reserved for our Independent Directors and Non-Executive Directors, employees, business associates of our Group and those who have contributed to the success of our Group
<i>“Restructuring Exercise”</i>	:	The restructuring exercise of our Group undertaken in connection with the Invitation, as described in the section entitled “Restructuring Exercise”
<i>“Securities Account”</i>	:	The securities account maintained by a Depositor with CDP but does not include a securities sub-account
<i>“Securities and Futures Act” or “SFA”</i>	:	Securities and Futures Act, Chapter 289 of Singapore
<i>“Service Agreements”</i>	:	The service agreements entered into between our Company and each of our Executive Directors as described in the section entitled “Service Agreements”
<i>“Shares”</i>	:	Ordinary shares of S\$0.06 each in the authorised and issued share capital of our Company
<i>“Shareholders”</i>	:	The shareholders of our Company
<i>“Sub-division of Shares”</i>	:	The sub-division of each ordinary share of S\$3.00 each into 50 shares of S\$0.06 each after Consolidation
<i>“Substantial Shareholder”</i>	:	A person who holds directly or indirectly 5% or more of the total issued share capital of our Company
<i>“Union Steel Holdings Employee Share Option Scheme” or “Scheme”</i>	:	The Union Steel Holdings Employee Share Option Scheme as described in the section entitled “Directors, Management and Staff” and as set out in Appendix VII of this Prospectus
<i>“Vendors”</i>	:	Messrs Ang Yu Seng, Ang Yew Lai and Ang Yew Chye
<i>“Vendor Shares”</i>	:	The 14,000,000 Shares for which the Vendors invite applications to purchase pursuant to the Invitation, subject to and in accordance with the terms and conditions of this Prospectus

DEFINITIONS

Currencies, Units and Others

<i>“ft”</i>	:	Feet
<i>“mm”</i>	:	Millimetre(s)
<i>“RMB”</i>	:	The lawful currency of the People’s Republic of China
<i>“sq m”</i>	:	Square metre(s)
<i>“S\$” or “Singapore Dollars” and “cents”</i>	:	The lawful currency of the Republic of Singapore
<i>“US Dollars”</i>	:	The lawful currency of the United States
<i>“%” or “per cent.”</i>	:	Per centum or percentage

The expressions “Depositor”, “Depository Agent” and “Depository Register” shall have the meanings ascribed to them respectively in the Companies Act.

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

Any reference in this Prospectus, the Application Forms and the Electronic Applications to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or the Securities and Futures Act or any statutory modification thereof and used in this Prospectus, the Application Forms or the Electronic Applications shall, where applicable, have the meaning assigned to it under the Companies Act or the Securities and Futures Act or such statutory modification, as the case may be.

Any reference in this Prospectus, the Application Forms or Electronic Applications to Shares being allotted and/or allocated to an applicant includes allotment and/or allocation to CDP for the account of that applicant.

Any reference to a time of day in this Prospectus, the Application Forms and the Electronic Applications shall be a reference to Singapore time, unless otherwise stated.

Any reference to “we”, “us”, “our” and “ourselves” or other grammatical variations thereof in this Prospectus is a reference to our Company, our Group or any member of our Group as the context requires.

Any discrepancies in the tables included herein between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown in totals in certain tables may not be an aggregation of the figures that precede them.

GLOSSARY OF TECHNICAL TERMS

To facilitate a better understanding of the business of our Group, the following glossary provides a description (which would not be treated as being definitive of their meanings) of some of the technical terms and abbreviations used in this Prospectus:

<i>American Society for Testing and Materials</i>	:	The American Society for Testing and Materials is an international voluntary standards development organisation providing technical standards for materials, products, systems and services
<i>British Standards Institute</i>	:	The British Standards Institute provides information on standards and international trade, independent certification of management systems and products, the development of private, national and international standards, product-testing services, training courses and seminars and commodity inspection services
<i>ISO</i>	:	International Organisation for Standardisation, a worldwide federation of national standards institutes
<i>ISO14001</i>	:	ISO14001 is the corner stone standard of the ISO14000 series comprising a series of internal standards on environmental management. ISO14001 specifies a framework of control for an environmental management system against which an organisation can be certified by a third party
<i>ISO9001:2000</i>	:	The ISO9000 family is one of the management standards and guidelines of the ISO. Three standards, namely, ISO9001, ISO9002 and ISO9003 have been integrated into the ISO9001:2000 standard. The ISO9001:2000 standard specifies the requirements for the management system of an organisation that needs to demonstrate its ability to consistently provide products that meet customer and applicable regulatory requirements and aims to enhance customer satisfaction. It covers the following eight management principles – customer focus, leadership, involvement of people, process approach, system approach management, continual improvement, factual approach to decision making and mutually beneficial supplier relationship. The maintenance of the ISO9001:2000 standard requires an annual surveillance audit
<i>ISO9002:1994</i>	:	The ISO9002:1994 standard was the model for quality assurance in production, installation and servicing. The ISO9002:1994 standard was integrated into the new ISO9001:2000 standard on 15 December 2000
<i>Japanese Industrial Standards Committee</i>	:	The Japanese Industrial Standards Committee establishes and maintains industrial standards in Japan, the accreditation and certification of industries in Japan, the participation and contribution in international standardisation activities and the development of measurement standards and technical infrastructure for standardisation

GLOSSARY OF TECHNICAL TERMS

"Singapore Standard, SS2:1999: Specification for Steel for the Reinforcement of Concrete" : The Singapore Standard, SS2:1999: Specification for Steel for the Reinforcement of Concrete, comprising the standards for plain bars and ribbed bars

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

All statements contained in this Prospectus, statements made in press releases and oral statements that may be made by us or our Directors, Executive Officers or employees acting on our behalf, that are not statements of historical fact, constitute “forward-looking statements”. You can identify some of these statements by forward-looking terms such as “expect”, “believe”, “plan”, “intend”, “estimate”, “anticipate”, “may”, “will”, “would” and “could” or similar words. However, you should note that these words are not the exclusive means of identifying forward-looking statements. All statements regarding our expected financial position, business strategy, plans and prospects are forward-looking statements. These forward-looking statements, including statements as to:

- our revenue and profitability;
- our planned expansion;
- any expected growth;
- other expected industry trends; and
- anticipated completion and start-up dates for expansion projects and other matters discussed in this Prospectus regarding matters that are not historical facts,

are only predictions. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Some of these risk factors are discussed in more detail in the section entitled “Risk Factors”.

Given the risks and uncertainties that may cause our actual future results, performance or achievements to be materially different than expected, expressed or implied by the forward-looking statements in this Prospectus, we advise you not to place undue reliance on those statements. None of our Company, the Vendors, the Manager, the Underwriter, the Placement Agent or any other person represents or warrants to you that our actual future results, performance or achievements will be as discussed in those statements. Our actual results may differ materially from those anticipated in these forward-looking statements. Further, our Company, the Vendors, the Manager, the Underwriter and the Placement Agent disclaim any responsibility to update any of those forward-looking statements or publicly announce any revisions to those forward-looking statements to reflect future developments, events or circumstances for any reason, even if new information becomes available or other events occur in the future. We are, however, subject to the provisions of the Securities and Futures Act and the Listing Manual of the SGX-ST regarding corporate disclosure. In particular, pursuant to Section 241 of the Securities and Futures Act, if after the Prospectus is registered but before the close of the Invitation, our Company becomes aware of (a) a false or misleading statement or matter in the Prospectus; (b) an omission from the Prospectus of any information that should have been included in it under Section 243 of the Securities and Futures Act or (c) a new circumstance that has arisen since the Prospectus was lodged with the Authority and would have been required by Section 243 of the Securities and Futures Act to be included in the Prospectus if it had arisen before the Prospectus was lodged and that is materially adverse from the point of view of an investor, our Company and the Vendors may lodge a supplementary or replacement prospectus with the Authority.

SELLING RESTRICTIONS

This Prospectus does not constitute an offer, solicitation or invitation to subscribe for the Invitation Shares in any jurisdiction in which such offer, solicitation or invitation is unlawful or is not authorised or to any person to whom it is unlawful to make such offer, solicitation or invitation. No action has been or will be taken under the requirements of the legislation or regulations of, or of the legal regulatory requirements of any jurisdiction, except for the filing and/or registration of this Prospectus in Singapore in order to permit a public offering of the Invitation Shares and the public distribution of this Prospectus in Singapore. The distribution of this Prospectus and the offering of the Invitation Shares in certain jurisdictions may be restricted by the relevant laws in such jurisdictions. Persons who may come into possession of this Prospectus are required by our Company, the Vendors, the Manager, the Underwriter and the Placement Agent to inform themselves about, and to observe and comply with, any such restrictions.

DETAILS OF THE INVITATION

LISTING ON THE SGX-ST

Application has been made to the SGX-ST for permission to deal in and for quotation of, all our Shares already issued (including the Vendor Shares), the New Shares which are the subject of the Invitation as well as the Option Shares. Such permission will be granted when our Company has been admitted to the Official List of the SGX-ST. Acceptance of applications for the Invitation Shares will be conditional upon, *inter alia*, the SGX-ST granting permission to deal in and for quotation of, all our existing issued Shares (including the Vendor Shares), the New Shares as well as the Option Shares. If the completion of the Invitation does not occur because the SGX-ST's permission is not granted or for any other reason (including where the Authority issues a stop order), monies paid in respect of any application accepted will be returned to you, without interest or any share of revenue or other benefit arising therefrom and at your own risk, and you will not have any claims whatsoever against us, the Vendors, the Manager, the Underwriter or the Placement Agent.

The SGX-ST assumes no responsibility for the correctness of any statements, reports contained or opinions expressed in this Prospectus. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Invitation, our Company, our subsidiaries, our Shares (including the Vendor Shares), the New Shares or the Option Shares.

A copy of this Prospectus, together with the Application Forms, has been lodged with and registered by the Authority. The Authority assumes no responsibility for the contents of this Prospectus. Registration of this Prospectus by the Authority does not imply that the Securities and Futures Act, or any other legal or regulatory requirements, have been complied with. The Authority has not, in any way, considered the merits of our Shares (including the Vendor Shares), the New Shares or the Option Shares, as the case may be, being offered or in respect of which an invitation is made, for investment.

This Prospectus has been seen and approved by our Directors and the Vendors and they individually and collectively accept full responsibility for the accuracy of the information given in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and the opinions expressed in this Prospectus are fair and accurate in all material respects as at the date of this Prospectus and that there are no other material facts the omission of which would make any statement in this Prospectus misleading.

No person has been or is authorised to give any information or to make any representation not contained in this Prospectus in connection with the Invitation and, if given or made, such information or representation must not be relied upon as having been authorised by us, the Vendors, the Manager, the Underwriter or the Placement Agent. Neither the delivery of this Prospectus and the Application Forms nor any document relating to the Invitation shall, under any circumstances, constitute a continuing representation or create any suggestion or implication that there has been no change or development reasonably likely to invoke a change in our affairs or in the statements of fact or information contained in this Prospectus since the date of this Prospectus. Where such changes occur and are material or are required to be disclosed by law, we will promptly make an announcement of the same to the SGX-ST and the public and, if required under Section 241 of the Securities and Futures Act, lodge a supplementary or replacement document or prospectus with the Authority and to make the same available to the public after lodgement. We will also comply with all other applicable requirements of the Securities and Futures Act and/or any other requirements of the Authority and/or SGX-ST. All applicants should take note of any such announcements, supplementary or replacement document or prospectus and, upon the release of the same, shall be deemed to have notice of such changes. Save as expressly stated in this Prospectus, nothing herein is, or may be relied upon as, a promise or representation as to our future performance or policies. Neither our Company, the Vendors, OCBC Bank or any other parties involved in the Invitation is making any representation to any person regarding the legality of an investment in our Shares by such person under any investment or any other laws or regulations. No information in this Prospectus should be considered to be business, legal or tax advice. Each prospective investor should consult his own professional or other advisers for business, legal or tax advice regarding an investment in our Shares.

DETAILS OF THE INVITATION

This Prospectus has been prepared solely for the purpose of the Invitation and may not be relied upon by any other persons other than the applicants in connection with their application for the Invitation Shares or for any other purpose.

In the event that a supplementary or replacement prospectus is lodged with the Authority, our Invitation shall be kept open for at least 14 days after the lodgement of such supplementary or replacement prospectus.

Where prior to the lodgement of the supplementary or replacement prospectus, applications have been made under this Prospectus to subscribe for and/or purchase our Invitation Shares and:

- (a) where our Shares have not been issued and/or sold to the applicants, our Company shall, for itself and on behalf of the Vendors, either:
 - (i) within seven days from the date of lodgement of the supplementary or replacement prospectus, give the applicants the supplementary or replacement prospectus, as the case may be, and provide the applicants with an option to withdraw their applications; or
 - (ii) treat the applications as withdrawn and cancelled, in which case the applications shall be deemed to have been withdrawn and cancelled, and our Company shall, within seven days from the date of lodgement of the supplementary or replacement prospectus, pay the applicants all monies the applicants have paid on account of their applications for our Shares; or
- (b) where our Shares have been issued and/or sold to the applicants, our Company shall, for itself and on behalf of the Vendors either:
 - (i) within seven days from the date of lodgement of the supplementary or replacement prospectus, give the applicants the supplementary or replacement prospectus, as the case may be, and provide the applicants with an option to return to our Company the Invitation Shares, which they do not wish to retain title in; or
 - (ii) treat the issue and/or sale of the Invitation Shares as void, in which case the issue shall be deemed void and our Company shall, within seven days from the date of lodgement of the supplementary or replacement prospectus, return all monies the applicants have paid on account of their applications, without interest or a share of revenue or benefit arising therefrom, at the applicant's risk.

An applicant who wishes to exercise his option under paragraph (a)(i) to withdraw his application shall, within 14 days from the date of lodgement of the supplementary or replacement prospectus, notify our Company and the Vendors of this, whereupon our Company shall, for itself and on behalf of the Vendors, within seven days from the receipt of such notification, pay to him all monies paid by him on account of his application for those Shares, without interest or a share of revenue or benefit arising therefrom, at the applicant's risk.

An applicant who wishes to exercise his option under paragraph (b)(i) to return our Shares issued and/or sold to him shall, within 14 days from the date of lodgement of the supplementary or replacement prospectus, notify our Company and the Vendors of this and return all documents, if any, purporting to be evidence of title to those Shares, to our Company, whereupon our Company shall, for itself and on behalf of the Vendors, within seven days from the receipt of such notification and documents, if any, pay to him all monies paid by him for those Shares, without interest or a share of revenue or benefit arising therefrom, at the applicant's risk and the issue of those Shares shall be deemed to be void.

DETAILS OF THE INVITATION

Under the Securities and Futures Act, the Authority may, in certain circumstances issue a stop order (the "Stop Order") to our Company, directing that no or no further Shares to which this Prospectus relates, be allotted, issued or sold. Such circumstances will include a situation where this Prospectus (i) contains a statement or matter, which in the opinion of the Authority is false or misleading; (ii) omits any information that should be included in accordance with the Securities and Futures Act or (iii) does not, in the opinion of the Authority, comply with the requirements of the Securities and Futures Act.

Where applications to subscribe for and/or purchase our Shares to which this Prospectus relates have been made prior to the Stop Order, and:

- (a) where our Shares have not been issued and/or sold to the applicants, the applications shall be deemed to have been withdrawn and cancelled and our Company shall, for itself and on behalf of the Vendors, within 14 days from the date of the Stop Order, pay to the applicants all monies the applicants have paid on account of their applications for our Shares; or
- (b) where our Shares have been issued and/or sold to the applicants, the issue and/or sale of our Shares shall be deemed to be void and our Company shall, for itself and on behalf of the Vendors, within 14 days from the date of the Stop Order, pay to the applicants all monies paid by them for our Shares.

Copies of this Prospectus and the Application Forms and envelopes may be obtained free of charge on request, subject to availability, during office hours from:

Oversea-Chinese Banking Corporation Limited
65 Chulia Street
OCBC Centre
Singapore 049513

and from selected branches of OCBC Bank and, where available, from members of the Association of Banks in Singapore, members of the SGX-ST and merchant banks in Singapore. A copy of this Prospectus is also available on the SGX-ST website <http://www.sgx.com>.

The Application List will open at 10.00 a.m. on 11 August 2005 and will remain open until 12.00 noon on the same day or for such further period or periods as our Directors and the Vendors, in consultation with the Manager, may decide, subject to any limitation under all applicable laws. Where a supplementary document or replacement prospectus has been lodged with the Authority, the Application List shall be kept open for at least 14 days after the lodgement of the supplementary document or replacement document.

Details of the procedures for application of the Invitation Shares are set out in Appendix VIII of this Prospectus.

DETAILS OF THE INVITATION

INDICATIVE TIMETABLE FOR LISTING

In accordance with the SGX-ST's News Release of 28 May 1993 on the trading of initial public offering shares on a "when issued" basis, an indicative timetable is set out for reference of applicants:

Indicative time/date	Event
12.00 noon on 11 August 2005	Close of Application List
12 August 2005	Balloting of applications, if necessary (in the event of over-subscription for the Offer Shares)
9.00 a.m. on 15 August 2005	Commence trading on a "when issued" basis
24 August 2005	Last day of trading on a "when issued" basis
9.00 a.m. on 25 August 2005	Commence trading on a "ready" basis
30 August 2005	Settlement date for all trades done on a "when issued" basis and for trades done on a "ready" basis on 25 August 2005

The above timetable is only indicative as it assumes that the date of closing of the Application List is 11 August 2005, the date of admission of our Company to the Official List of the SGX-ST will be 15 August 2005, the shareholding spread requirement will be complied with and the New Shares will be issued and fully paid-up prior to 15 August 2005. The actual date on which our Shares will commence trading on a "when issued" basis will be announced when it is confirmed by the SGX-ST.

The above timetable and procedures may be subject to such modification as the SGX-ST may, in its absolute discretion, decide, including the decision to permit trading on a "when issued" basis and the commencement date of such trading. All persons trading in our Shares on a "when issued" basis do so at their own risk. **In particular, persons trading in our Shares before their Securities Accounts with CDP are credited with the relevant number of Shares do so at the risk of selling Shares which neither they nor their nominees, as the case may be, have been allotted and/or allocated with or are otherwise beneficially entitled to. Such persons are also exposed to the risk of having to cover their net sell positions earlier if "when issued" trading ends sooner than the indicative date shown above. Persons who have a net sell position traded on a "when issued" basis should close their position on or before the first day of "ready" basis trading.**

The Invitation will open from 3 August 2005 to 11 August 2005.

Investors should consult the SGX-ST's announcement on the "ready" listing date on the Internet (at the SGX-ST internet website <http://www.sgx.com>), INTV or the newspapers, or check with their brokers on the date on which trading on a "ready" basis will commence.

In the event of any changes in the closure of the Application List or the time period during which the Invitation is open, we will publicly announce the same:

- (i) through a SGXNET announcement to be posted on the Internet at the SGX-ST internet website <http://www.sgx.com>; and
- (ii) in local newspapers, such as The Straits Times.

We will publicly announce the level of subscription for and/or purchase of the Invitation Shares and the basis of allocation of the Invitation Shares pursuant to the Invitation, as soon as it is practicable after the closure of the Application List through the channels in (i) and (ii) above.

PROSPECTUS SUMMARY

The following summary highlights certain information found in greater detail elsewhere in this Prospectus. Since this summary does not contain all the information that you should consider before investing in our Shares, it is advised that you read the entire Prospectus carefully before making an investment decision, in particular, the matters set out in the section entitled “Risk Factors”.

OVERVIEW OF OUR GROUP

Our Group

Our Company was incorporated in Singapore under the Companies Act on 12 August 2004 as a private limited company under the name of Union Steel Holdings Pte. Ltd. On 29 June 2005, we converted to a public limited company and changed our name to Union Steel Holdings Limited. Union Steel Holdings Limited was established as the listing vehicle and holding company for our Group’s businesses.

We are 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.

Our Directors believe that we are one of the largest metals recyclers in Singapore in terms of volume of metals recycled. Our recycling operations primarily involve the collection, processing and packing 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, metals fabricators and metals brokers. We sell to our customers ferrous metals (such as steel and heavy melting scrap steel) and non-ferrous metals (such as copper, aluminium and stainless steel), processed according to the guidelines set by the Institute of Scrap Recycling Industries, Washington D.C.

We offer a wide range of steel products which includes steel plates, reinforcement steel bars, H-beams, I-beams, pipes and sheet piles to our customers which include trading houses, construction companies and engineering companies.

To complement our metals recycling business, we also offer various services which provide us with additional sources of ferrous and non-ferrous scrap metals. We operate waste collection and management services through which we collect ferrous and non-ferrous scrap metals. We carry out demolition works through which we are able to collect scrap metals found in machinery, buildings and other structures containing metals. We also engage in the rental of steel plates and car scrapping services. By providing these complementary services, we are able to collect, at a competitive cost, both ferrous and non-ferrous scrap metals, which we use in our recycling business.

Competitive Strengths

Our Directors believe that our competitive strengths are as follows:

- our experienced management team and our dedication to operational excellence;
- our wide range of processed metals provides our customers with a one-stop supply centre for their recycled metals needs and services;
- our vertically-integrated business;
- our large customer base;
- our commitment to providing quality products to our customers; and
- our strong sales and marketing team.

Further details may be found in the section entitled “Competitive Strengths”.

PROSPECTUS SUMMARY

Business Strategies and Future Plans

Our business strategies emphasise the continued consolidation of our position as a market leader in the scrap metals recycling business while exploring growth opportunities in both our existing and new businesses to increase and/or diversify our income streams. To achieve these objectives, we have developed the following growth strategies:

- expand our sources of supply of scrap metals;
- increase our product range;
- diversify into metal-related businesses;
- continue to capture the potential benefits of business integration; and
- maximise our operating margins by investing in advanced metals recycling equipment and machinery.

Further details may be found in the section entitled “Business Strategies and Future Plans”.

Summary Financial Data

You should read the following summary financial data in conjunction with the section entitled “Financial Review”, the “Independent Auditors’ Report and Unaudited Pro Forma Group Financial Information for FY2002, FY2003 and FY2004” as set out in Appendix IV of this Prospectus and the “Report from the Independent Auditors in relation to the Unaudited Interim Financial Information for the six months ended 31 December 2004” as set out in Appendix V of this Prospectus.

Selected items from the Operating Results of Our Pro Forma Group⁽¹⁾

S\$'000	← Unaudited Pro forma →				
	FY2002	FY2003	FY2004	6 months ended 31 December 2003	6 months ended 31 December 2004
Revenue	58,782	86,327	112,069	47,973	58,627
Gross profit	8,544	13,746	19,729	6,588	10,766
Profit before taxation	1,717	5,968	11,934	2,612	6,486
Net profit for the financial year	1,378	4,593	9,507	2,078	5,189
Earnings per Share (cents) ⁽²⁾	0.51	1.69	3.49	0.76	1.91

Note:

- (1) The results of our Group for the period under review have been prepared on the basis that our Group had been in existence since 1 July 2001 and throughout the period under review.
- (2) For comparative purposes, EPS for the period under review is computed by dividing the net profit for the financial year by the pre-Invitation share capital of 272,105,250 Shares.

PROSPECTUS SUMMARY

Selected items from the Financial Position of Our Pro Forma Group⁽¹⁾

S\$'000	Unaudited Pro forma As at 30 June 2004	Unaudited Pro forma As at 31 December 2004
Non-current assets	17,675	23,402
Current assets	28,689	24,156
Total assets	46,364	47,558
Current liabilities	19,344	20,965
Non-current liabilities	3,694	5,078
NTA	23,326	21,515
NTA per Share (cents) ⁽²⁾	8.57	7.91

Note:

- (1) The financial position of our Group as at 30 June 2004 and 31 December 2004 has been prepared on the basis that our Group had been in existence since 1 July 2001.
- (2) The NTA per Share is computed based on the NTA of our Group as at 30 June 2004 and 31 December 2004 and the pre-Invitation share capital of 272,105,250 Shares.

Our Contact Details

Our principal office is located at 33 Pioneer Road North Singapore 628474. Our telephone number is (65) 6861 9833 and our facsimile number is (65) 6862 9833. Our internet addresses are www.unionsteel.com.sg and www.ylssteel.com.sg. **Information contained in our internet websites does not constitute part of this Prospectus.**

THE INVITATION

Issue Size	:	75,000,000 New Shares and 14,000,000 Vendor Shares, which upon issue and allotment and/or allocation, will rank <i>pari passu</i> in all respects with the existing issued Shares.
Invitation Price	:	S\$0.20 for each Invitation Share.
The Offer	:	The Offer comprises an offering of 4,200,000 Offer Shares to members of the public in Singapore.
The Placement	:	<p>The Placement comprises an offering of 84,800,000 Placement Shares by way of private placement comprising:</p> <p>(i) 76,000,000 Placement Shares at S\$0.20 for each Placement Share; and</p> <p>(ii) 8,800,000 Reserved Shares at S\$0.20 for each Reserved Share.</p>
Reserved Shares	:	<p>8,800,000 of the 84,800,000 Placement Shares will be reserved for Independent Directors and Non-Executive Directors, employees, business associates of our Group and those who have contributed to the success of our Group.</p> <p>In the event that any of the Reserved Shares are not taken up, they will be made available to satisfy excess applications for the Placement Shares, or in the event of an under-subscription for the Placement Shares, to satisfy excess applications made by members of the public for the Offer Shares.</p>
Purpose of the Invitation	:	Our Directors consider that the listing of our Company and the quotation of our Shares on the SGX-ST will enhance our public image in Singapore and internationally and enable us to tap the capital markets for the expansion of our operations. The Invitation will also provide members of the public, our Independent Directors and Non-Executive Directors, employees, business associates of our Group and those who have contributed to the success of our Group with an opportunity to participate in the equity of our Company.
Listing Status	:	Our Shares will be quoted on the Main Board of the SGX-ST, subject to admission of our Company to the Official List of the SGX-ST and permission for dealing in and for quotation of our Shares being granted by the SGX-ST and the Authority not issuing a Stop Order.

INVITATION STATISTICS

Invitation Price S\$0.20

NTA

Adjusted NTA per Share:

- | | | |
|-----|---|-------------|
| (a) | before adjusting for the estimated net proceeds of the New Shares and based on our pre-Invitation share capital of 272,105,250 Shares | 7.91 cents |
| (b) | after adjusting for the estimated net proceeds of the New Shares and based on our post-Invitation share capital of 347,105,250 Shares | 10.00 cents |

Premium of Invitation Price over the Adjusted NTA per Share as at 31 December 2004:

- | | | |
|-----|---|-----------------|
| (a) | before adjusting for the estimated net proceeds of the New Shares and based on our pre-Invitation share capital of 272,105,250 Shares | 152.8 per cent. |
| (b) | after adjusting for the estimated net proceeds of the New Shares and based on our post-Invitation share capital of 347,105,250 Shares | 100.0 per cent. |

Earnings

Historical net EPS of our Group for FY2004 based on our pre-Invitation share capital of 272,105,250 Shares	3.49 cents
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Historical net EPS of our Group for FY2004 had the Service Agreements been in effect for FY2004 and based on our pre-Invitation share capital of 272,105,250 Shares	3.19 cents
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Price Earnings Ratio

Historical price earnings ratio based on the historical net EPS of our Group for FY2004	5.73 times
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Historical price earnings ratio based on the historical net EPS of our Group for FY2004 had the Service Agreements been in effect for FY2004	6.27 times
--	------------

Net Operating Cash Flow⁽¹⁾

Historical net operating cash flow per Share for FY2004, based on our pre-Invitation share capital of 272,105,250 Shares	4.31 cents
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Historical net operating cash flow per Share of our Group for FY2004 had the Service Agreements been in effect for FY2004 and based on our pre-Invitation share capital of 272,105,250 Shares	4.00 cents
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Price to Net Operating Cash Flow Ratio

Historical price to net operating cash flow ratio based on the historical net operating cash flow per Share for FY2004	4.64 times
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Historical price to net operating cash flow ratio based on the historical net operating cash flow per Share for FY2004 had the Service Agreements been in effect for FY2004	5.00 times
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Market Capitalisation

Market capitalisation based on the Invitation Price and post-Invitation share capital of 347,105,250 Shares	S\$69.4 million
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INVITATION STATISTICS

Note:

- (1) Net operating cash flow refers to net profit with depreciation added back.

USE OF PROCEEDS

The net proceeds attributable to us from the issue of the New Shares are estimated to be approximately S\$13.2 million (after deducting the estimated expenses in relation to the Invitation of approximately S\$1.8 million).

We intend to use the net proceeds from the issue of New Shares for the following purposes:

- (a) approximately S\$5.0 million for our expansion plans in the PRC and Indonesia, failing which the net proceeds will be used for other possible acquisitions, strategic partnerships and/or joint ventures in the PRC, Indonesia or elsewhere. Further details may be found in the section entitled “Business Strategies and Future Plans”;
- (b) approximately S\$5.0 million to pay down certain bank borrowings from United Overseas Bank Limited and Sing Investments & Finance Limited; and
- (c) the balance to be used as working capital for our operations.

Barring any unforeseen circumstances, we intend to start carrying out our expansion plans by the end of 2005. Other than the costs provided in evaluating the feasibility of these expansion plans, we currently have not spent any amounts in connection with the proposed expansion plans. Our expansion plans, if implemented, will be financed from internal funds and bank borrowings. Please refer to the section entitled “Business Strategies and Future Plans” for further details of our expansion plans.

Please refer to the section entitled “Capitalisation and Indebtedness” for a description of our bank borrowings.

Pending the deployment of the net proceeds from the issue of the New Shares as aforesaid, the funds will be placed in short-term deposits with financial institutions, used to invest in short-term money market instruments and/or used for working capital requirements as our Directors may deem appropriate.

There is no minimum amount which, in the reasonable opinion of our Directors, must be raised from the issue of the New Shares.

RISK FACTORS

You should carefully evaluate each of the following considerations and all of the other information set forth in this Prospectus before deciding to invest in our Shares. The following considerations relate principally to the industry in which our Group operates and its business in general. Other considerations relate principally to general economic and political conditions, the securities market and ownership of the Invitation Shares, including possible future dilution in the value of our Shares. If any of the following considerations and uncertainties develops into actual events, our business, financial condition, results of operations or prospects could be materially adversely affected. In such cases, the trading price of our Shares could decline due to any of these considerations, and you may lose all or part of your investment.

This Prospectus also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below and elsewhere in this Prospectus.

RISKS RELATING TO OUR BUSINESS

The scrap metals recycling industry is highly cyclical and export markets can be volatile

In FY2004, approximately 86.5% of our revenue was derived from our scrap metals recycling business. The scrap metals recycling industry in general and our operations are cyclical in nature. They tend to reflect and be amplified by general economic conditions, both domestically and internationally. Historically, in periods of national recession or periods of slowing economic growth, the operations of scrap metals recycling companies have been materially and adversely affected. For example, during economic recessions or periods of slowing economic growth, the construction industry and other metal consuming industries that use our recycled metals would typically experience a reduction in production, resulting in decreased demand for steel and non-ferrous metals such as copper and aluminium. This may lead to significant fluctuations in the demand and pricing for our recycled metals. Accordingly, economic downturns in the domestic and international economies, including the markets that we sell to, such as the PRC, India, Indonesia and Singapore, or decisions by governments that have an impact on the level and pace of overall economic activity, may materially and adversely affect our results of operations and financial condition.

Scrap metals and steel products are subject to significant price fluctuations, which may restrict our margin and lower our profitability

We require scrap metals, comprising ferrous metals (such as steel scrap) and non-ferrous metals (such as copper, aluminium and stainless steel) and steel products for our businesses. In FY2004, costs of scrap metals and steel products accounted for approximately 88.6% and approximately 11.4% of the cost of sales relating to our recycling business and steel trading business, respectively. As metals are traded as a commodity, the prices of our scrap metals supplies are affected by metal prices. The metal prices can be volatile due to numerous factors beyond our control, such as general economic conditions, market demand for metals, availability of metal supplies, import duties and currency exchange rates. Costs of our scrap metals and steel products have been volatile for the last three financial years and the six months ended 31 December 2004. During the aforesaid period, the average purchase price for our ferrous scrap metals ranged from a low of S\$128 per metric tonne in July 2001 to a high of S\$411 per metric tonne in March 2004, the average purchase price for our non-ferrous scrap metals ranged from a low of S\$924 per metric tonne in February 2002 to a high of S\$2,405 per metric tonne in March 2004 and the average purchase price for our steel products ranged from a low of S\$308 per metric tonne in October 2001 to a high of S\$959 per metric tonne in September 2004. Although we seek to achieve a high turnover of our inventory of unprocessed or processed scrap metals and steel products, we are exposed to commodity price risk during the period that we have ownership over the scrap metals and steel products held in our inventory for processing and/or resale. We may not be able to adjust our product prices, especially in the short-term, to fully recover any differences arising from higher material costs. As such, our margin of profitability will be affected if we are unable to pass on higher material costs to our customers.

RISK FACTORS

We do not have long-term supply arrangements with our suppliers and our profitability depends, in part, on the availability of an adequate source of supply of scrap metals

We procure our scrap metals from various sources. These suppliers are not bound by long-term contracts and have no obligation to continue selling scrap metals to us after the end of their contracts. In periods of high prices, suppliers may elect to hold on to their scrap metals and wait for higher prices. If a substantial number of scrap metals suppliers cease selling scrap metals to us, we will be unable to recycle scrap metals at desired levels and our results of operations or financial condition may be materially and adversely affected.

Our supply of scrap metals is dependent on the industrial activity of our suppliers

A significant part of our supply of scrap metals arises as a by-product of manufacturing processes and from the replacement of plant, equipment and infrastructure of our suppliers. Our supply of scrap metals is therefore dependent, in part, on the level of industrial activity of our suppliers. A decrease in industrial activity of our suppliers may have an adverse impact on our ability to procure and consequently supply recycled scrap metals and a significant decrease in the supply of scrap metals may materially and adversely affect our business and financial condition.

We face competition from existing competitors in the industry and new entrants to the industry

We operate in a competitive industry in which the barriers to entry are relatively low. We compete with domestic, regional and foreign metals recycling companies and steel traders. Some of these competitors have greater operational capacity, greater financial resources and more diverse businesses than us. Some of our foreign competitors may be able to pursue business opportunities without being subject to the laws and regulations with which we must comply, such as environmental regulations. Some of these competitors may have lower cost structures, greater operational flexibility and the capacity to adopt more aggressive pricing strategies which enable them to offer better prices and more services than us. There is no assurance that we will be able to compete successfully with these companies. If we are unable to do so, our financial performance may be adversely affected.

Our business requires continuous capital investments that we may not be able to sustain

We make continuous capital investments to expand our business, lower our production costs and remain competitive. The availability of external financing for our capital investments depends on many factors outside of our control, including money and capital market conditions and the overall performance of the economy. If we do not have sufficient internally generated cash or acceptable external financing to make necessary substantial capital expenditures, we may be unable to develop or enhance our business, take advantage of business opportunities and respond to competitive pressures.

A significant increase in the use of scrap metals alternatives by existing consumers of processed scrap metals could reduce demand for our products

During periods of high demand for ferrous and non-ferrous scrap metals, the supply of ferrous and non-ferrous scrap metals could be less readily available. The relative scarcity of ferrous and non-ferrous scrap metals and its high price during such periods may create opportunities for producers of alternatives to scrap metals. We cannot assure you that the use of alternatives to scrap metals will not increase. Any significant increase in the use of such alternatives could reduce the demand for our products and may materially and adversely affect our business and financial condition.

Compliance with and changes in various environmental requirements and environmental risks applicable to our industry may lower our revenue and adversely affect our financial condition

Compliance with environmental laws and regulations is a significant factor in our business. We are subject to local environmental laws and regulations concerning, among other matters, waste disposal and hazardous substances.

RISK FACTORS

Although we believe that we are in substantial compliance with all applicable laws and regulations, legal requirements may change frequently and are subject to interpretation. New laws, regulations and changing interpretations by the relevant regulatory authorities may increase our future expenditure to comply with environmental requirements. Accordingly, we are unable to predict the ultimate cost of future compliance with these requirements or their effect on our operations. Any significant increase in these compliance costs could materially and adversely affect our business, financial condition and results of operations.

We are dependent on certain licences and approvals for our business

We are dependent on various licences for the operation of our business. These include, (a) the general waste collector licence issued by the National Environmental Agency of Singapore; (b) the toxic industrial waste collector licence and toxic industrial waste transport approval each issued by the National Environmental Agency of Singapore; (c) the second hand dealer's licence issued by the Singapore Police Force and (d) the approval granted by the Land Transport Authority of Singapore to us to be a scrap yard operator for motor vehicles.

There is no assurance that our licences will be renewed or will not be revoked or amended in the future. Should there be a failure to renew, or a revocation of, or amendments to, these licences, we will not be able to carry out a significant part of our operations and our Group's operations and financial performance could be adversely affected.

Fluctuations in freight and other transportation costs and disruptions in transportation may adversely affect the demand for our products and increase competition from our competitors in the Asia-Pacific region and other parts of the world

We depend on ships to deliver scrap metals and steel products from our overseas suppliers to us and to deliver our recycled metals and steel products from us to our overseas customers. These transportation services may be disrupted by various factors, including weather-related problems, increase in oil prices, strikes, lock-outs or other events beyond our control. A disruption of transportation services could temporarily impair our overseas suppliers' ability to supply scrap metals and steel products to us, or our ability to supply our products to our overseas customers, and could also result in us incurring demurrage claims by ship-owners for loading delays. The occurrence of any, or all of the above events may adversely affect our business, financial condition and results of operations.

Freight and other transportation costs represent a portion of the total cost of our recycled metals and steel products. As a result, the cost of freight and other modes of transportation is a significant factor in our customers' purchasing decision. Increases in freight and other transportation costs could make our goods less competitive than other suppliers of recycled metals and steel products. On the other hand, decreases in freight rates may give our competitors in other areas a pricing advantage, depending on their proximity to the target market.

We may unknowingly and unwittingly deal in stolen goods

The nature of our business is such that we are unable to ascertain with absolute certainty the identity of the original source or owner of the scrap metals supplied to us. The scrap metals will usually be purchased without any markings or labels indicating their origin. As such, we may unknowingly and unwittingly purchase scrap metals which have been stolen or otherwise appropriated by the suppliers or their agents in breach of laws or regulations.

We had, on previous occasions, purchased scrap metals in the ordinary course of business, which were subsequently found to be stolen goods. Our employees subsequently assisted the police in the identification and recovery of these stolen goods. We cannot assure investors that we will not in future, unknowingly or unwittingly purchase stolen goods. If we are found to have purchased stolen goods in future, the goods may be seized from us while we still have ownership over the goods and we will have to bear the loss.

RISK FACTORS

We are reliant on select personnel and our financial condition and results of operations may be adversely affected by any inability to retain, recruit and motivate key employees

We believe that our management team contributes significant experience and expertise to the management of our business. Our success is dependent on the continued efforts of our management team, comprising our Executive Directors and Executive Officers.

Our management team is responsible for formulating and implementing our business growth, corporate development and overall business strategy and have been instrumental in our growth and expansion. Our management team also has extensive experience, knowledge and expertise in our operations and the industries in which we operate.

We may not be able to either retain our present personnel or attract qualified personnel as and when needed. In addition, we may need to increase employee compensation levels in order to attract and retain our existing select personnel, as well as any additional personnel that we require in the future. The loss of any of our present personnel without timely or suitable replacements and the inability to attract and retain qualified and experienced personnel may have a material adverse impact on our business, financial condition, results of operations and prospects.

We are exposed to foreign exchange risks and fluctuations in exchange rates which could result in us incurring foreign exchange losses

Our export sales are principally denominated in US Dollars and Singapore Dollars while our local sales are principally denominated in Singapore Dollars. Our purchases are generally denominated in US Dollars and Singapore Dollars while our operating expenses are generally denominated in Singapore Dollars.

A significant portion of our revenue is denominated in US Dollars. Therefore, we may be exposed to significant foreign exchange risks from the fluctuations of the US Dollar against the Singapore Dollar. In addition, to the extent that our revenue, purchases and operating costs are not naturally matched in the same currency and to the extent that there are timing differences between collection and payments, we will be exposed to any adverse fluctuation in the US Dollar against the Singapore Dollar.

Please refer to the section entitled “Foreign Exchange Exposure” for details of the foreign exchange exposures faced by our Group.

We are dependent on the political, economic, regulatory and social conditions in the countries that we sell our products, or in which we intend to expand our business

A significant percentage of our products are sold to customers located in various countries, including the PRC, India, Indonesia and Singapore. In FY2002, FY2003 and FY2004, customers from these countries accounted for approximately 87.9%, 92.0% and 84.5% of our revenue, respectively. We anticipate that revenue from export sales may increasingly represent a substantial portion of our total revenue. Accordingly, our future results could be affected by a variety of factors, including:

- interruption in transportation flows for delivery of scrap metals to us or recycled scrap metals or steel products to our customers;
- changes in foreign currency exchange rates and interest rates;
- changes in a specific country's or region's political or economic conditions;
- trade protection measures and import or export licensing requirements;
- negative consequences from changes in tax laws;
- difficulty in staffing and managing widespread operations; and
- unexpected changes in regulatory requirements.

RISK FACTORS

Any of these factors may result in lower export sales which may materially and adversely affect our results of operations and financial condition.

We face high inventory carrying costs

The nature of our business requires us to invest in and keep a substantial and varied inventory of products in order to meet the needs of our customers. Our customers' requirements are difficult to predict and are not made in accordance with fixed or long-term contracts. As at 31 December 2004, our inventory of approximately S\$9.1 million accounted for approximately 37.8% of our current assets. We usually maintain about one to two months' supply of inventory. The longer our inventory is not sold to customers or if sold but remains unpaid, the higher the costs of financing our business. Although we have not written down any of our inventory in the last three financial years, we cannot assure you this will not occur in the future. In the event we are unable to maintain our revenue or profit margins or if our financing costs for inventory increases, our overall financial performance will be adversely affected.

We may not be able to obtain financing at all or on acceptable terms

Our Group relies mainly on bank loans and bank overdrafts to finance our operations. As at the Latest Practicable Date, the aggregate amount drawn down on both our short term and long term banking facilities (excluding hire purchase obligations) amounted to approximately S\$21.5 million. If all or a substantial portion of these facilities are withdrawn, our working capital required to finance our operations may be adversely affected.

In addition, the interest charged for these facilities amounted to approximately S\$0.3 million in FY2004. This represented approximately 2.4% of our profit from operations in FY2004. The majority of these facilities have floating interest rates and any increase in the interest rates on the facilities extended to us will have an impact on our profitability.

In addition, we may obtain additional debt or equity financing to fund our activities in the future. We cannot assure you that additional financing will be available when needed or that, if available, such financing will be obtained on terms that are favourable to us. Future debt financing could involve restrictive covenants and we may not be able to obtain financing with interest rates as favourable as those previously obtained, or at all. Any additional debt financing will increase our total interest expense and may limit our ability to pay dividends or require us to seek shareholder consent for the payment of dividends, increase our vulnerability to general adverse economic and industry conditions, limit our ability to pursue our future growth plans and require us to dedicate a substantial portion of our cash flow from operations to repaying our debt. This, in turn, reduces the availability of our cash flow to fund capital expenditure, working capital requirements and other general corporate purposes and limits our flexibility in planning for, or reacting to, changes in our businesses and our industry. In the event that financing is needed and we are unable to obtain additional financing at all or on acceptable terms, our businesses, financial condition and results of operations may be adversely affected.

We may be exposed to quality liability and product liability claims

As a supplier of recycled scrap metals and steel products, we are exposed to quality liability claims in the event that our customers find our recycled scrap metals and steel products to be of unsatisfactory quality. We also face the possibility that defects or impurities found in our recycled scrap metals or steel products may necessitate a product recall. We are also susceptible to product liability claims which may arise if the use of our recycled scrap metals and steel products results in personal injury, death or damage to property.

We have not had significant quality liability or product liability claims to date. However, if we have to defend any quality liability or product liability claims in future, regardless of the merit of such claims or the eventual outcome of the claims, our management's attention may be diverted away from our business and we may also incur significant legal costs. In addition, any quality liability or product liability claim may harm our reputation and may result in a decline in our revenue and profitability.

RISK FACTORS

There is no assurance that our future plans will be commercially successful

Our ability to expand locally and into new geographical regions will depend on our ability to obtain all necessary permits and licences and the level of acceptance by our customers of the use of our products and services. There is no assurance that we will be able to obtain all necessary regulatory approvals for such expansion plans or that such expansion plans will be commercially successful. We will need to increase our marketing activities to develop market awareness and relationships with potential customers. Such activities will consume financial resources and require additional human resource. An increase in these expenses without a corresponding increase in revenue will have an adverse impact on our future financial performance.

We are exposed to the credit risk of our customers

From time to time, certain of our customers may default on their payments to us. Although we regularly review our credit exposure to our customers, credit risk may nevertheless arise from events or circumstances that are difficult to anticipate or detect such as an economic downturn or significant fluctuations in foreign exchange rates that have an impact on our customers' ability to make timely payment. As a result of our customers defaulting on their payments to us, we would have to make provision for doubtful debts, or incur debt write offs, which may have an adverse impact on our profitability. We made specific provision for doubtful debts of approximately S\$138,000, S\$82,000 and S\$60,000 in FY2003, FY2004 and HY2005, respectively, representing less than 1.0% of our revenue for FY2003, FY2004 and HY2005, respectively. No provision for doubtful debts was required in FY2002. In FY2003, we incurred debt write offs of approximately S\$60,000, representing less than 1.0% of our revenue for FY2003. We did not incur debt write offs for FY2002, FY2004 and HY2005.

Please refer to the section entitled "Credit Management" for details of the credit terms extended to our customers.

RISKS RELATED TO THE INVITATION AND INVESTING IN OUR SHARES

There has been no prior market for our Shares, and the Invitation may not result in an active or liquid market for our Shares

Prior to the Invitation, there has been no public market for our Shares. Therefore we cannot assure investors that an active public market will be developed or if developed, will be sustained after the Invitation. The Invitation Price was arrived at after consultation between the Manager, the Vendors and ourselves and after taking into consideration, *inter alia*, market conditions and estimated market demand for our Shares. The Invitation Price may not be indicative of the market price for our Shares after the completion of the Invitation. Investors may not be able to sell their Shares at or above the Invitation Price. The volatility in the trading price of our Shares may be caused by factors beyond our control and may be unrelated or disproportionate to our financial results. We have applied to the SGX-ST for the listing and quotation of our Shares on the Official List of the SGX-ST. However, no assurance can be given that an active trading market for our Shares will develop or, if developed, will be sustained.

Our Executive Directors individually and together own a significant percentage of the share capital of our Company and could significantly influence the outcome of corporate actions in a manner which may conflict with our interests and the interests of our other Shareholders

After the Invitation, our Executive Directors, Messrs Ang Yu Seng, Ang Yew Lai and Ang Yew Chye, will beneficially own approximately 73.5 per cent. of our enlarged share capital. They would be able to individually and together significantly influence all matters requiring approval by our Shareholders. This places our Executive Directors in a position to affect significantly our corporate actions such as mergers or takeover attempts (notwithstanding that the same may be synergistic or beneficial to our Group) in a manner that could conflict with the interests of our public Shareholders.

RISK FACTORS

Shares eligible for future sale by our current Shareholders may decrease the price of our Shares

There will be 347,105,250 Shares immediately following the Invitation. Except for Shares which are under moratorium, as described in the section entitled “Moratorium”, there will be no restriction on the sale of our Shares on the SGX-ST or otherwise.

The sale of a significant number of our Shares in the public market after the Invitation, or the perception that such sales may occur, could materially and adversely affect the market price of our Shares. These factors also affect our ability to sell additional equity securities. In addition, if our Substantial Shareholders sell substantial amounts of our Shares in the public market following the expiry of the moratorium, there could be downward pressure on the price of our Shares.

Investors in our Shares would face immediate dilution in the NTA per Share and may experience future dilution

Our Invitation Price of S\$0.20 is substantially higher than our Group’s Adjusted NTA per Share of S\$0.10 as at 31 December 2004 (as adjusted for the net proceeds of the Invitation). If we were liquidated for NTA immediately following the Invitation, each Shareholder subscribing to the Invitation would receive less than the price they paid for their Shares. Please refer to the section entitled “Dilution” for more details.

Although we have identified our future growth plans in the section entitled “Business Strategies and Future Plans” as the avenues to pursue growth in our businesses, the issue proceeds from the Invitation may not be sufficient to fully cover the estimated costs of implementing all these plans. We may also find opportunities to grow through acquisitions or new types of businesses which cannot be predicted at this juncture. Under such circumstances, secondary issue(s) of securities after the Invitation may be necessary to raise the required capital to develop these growth opportunities. If new Shares placed to new and/or existing Shareholders are issued after the Invitation, they may be priced at a discount to the then prevailing market price of our Shares trading on the SGX-ST, in which case, our existing Shareholders’ equity interests may be diluted. If we fail to utilise the new equity to generate a commensurate increase in earnings, our EPS will be diluted, and this could lead to a decline in our share price. Any additional debt financing may, apart from increasing interest expense and gearing, contain restrictive covenants with respect to dividends, future fund raising exercises and other financial and operational matters.

Our Share price may be volatile, which could result in substantial losses for investors purchasing our Shares pursuant to the Invitation

The market price of our Shares may fluctuate significantly and rapidly as a result of, *inter alia*, the following factors, some of which are beyond our control:

- announcements by us of material contracts, acquisitions, strategic alliances or capital commitments;
- changes in general market conditions and broad market fluctuations;
- changes in our operating results;
- changes in securities analysts’ estimates of our financial performance and recommendations;
- differences between our actual financial operating results and those expected by investors and securities analysts;
- our involvement in litigation;
- additions or departure of key personnel; and
- loss of a significant number of our customers/suppliers or failure to complete orders or contracts which constitute a significant percentage of our revenue.

DIVIDEND POLICY

On 12 March 2004, we declared dividends of approximately S\$780,000 for FY2003, which was paid on 15 April 2004. On 16 September 2004, we declared dividends of S\$7.0 million for FY2004, of which S\$3.0 million was paid on 20 September 2004 and S\$4.0 million was paid on 12 October 2004.

We currently do not have a dividend policy. The dividends that our Directors may recommend or declare in respect of any particular financial year or period will be subject to the factors outlined below as well as any other factors deemed relevant by our Board of Directors:

- the level of our cash and retained earnings;
- our actual and projected financial performance;
- our projected levels of capital expenditure and other investment plans;
- the dividend yield of similar-sized companies with similar growth listed on the SGX-ST; and
- restrictions on payment of dividends imposed on us by our financing arrangements (if any).

We may declare annual dividends with the sanction of our Shareholders in a general meeting, and subject to Section 69 of the Companies Act, but the amount of such dividend shall not exceed the amount recommended by our Directors. Our Directors may also declare an interim dividend.

Future dividends will be paid by us as and when approved by our Shareholders and Directors. Any such dividend payments will be subject to the level of our future earnings, cash flow, financial condition and other factors, including such legal or contractual restrictions as may apply from time to time. Past dividends paid are not necessarily reflective of future dividend payments.

For the financial year ended 30 June 2005, taking these factors into account and assuming that before the end of that year there are no material adverse developments, our Directors will consider a target dividend payout ratio of approximately 30 per cent. of our profit after tax. You should note that this statement is merely a statement of our present intention and shall not constitute a legally binding commitment in respect of our future dividends and dividend payout ratio which may be subject to modification (including reduction or non-declaration thereof) in our Directors' sole and absolute discretion.

For information relating to taxes payable on dividends, please see the section entitled "Taxation".

CAPITALISATION AND INDEBTEDNESS

The following information should be read in conjunction with the “Independent Auditors’ Report and Unaudited Pro Forma Group Financial Information for FY2002, FY2003 and FY2004” and the “Report from the Independent Auditors in relation to the Unaudited Interim Financial Information for the six months ended 31 December 2004” and the related notes as set out in Appendix IV and Appendix V of this Prospectus, respectively.

Our capitalisation and indebtedness as at 30 April 2005 was as follows:

	← Unaudited Pro forma →	
	As at 30 April 2005	As adjusted for the net proceeds from the issue of New Shares
S\$’000		
Cash and bank balances	4,221	17,421
Indebtedness		
<u>Current</u>		
Bills payable to banks, secured	11,161	11,161
Short-term bank loans, secured	5,700	5,700
Hire purchase obligations, secured (current portion)	767	767
Long-term bank loans, secured (current portion)	1,162	1,162
<u>Non-current</u>		
Hire purchase obligations, secured	114	114
Long-term bank loans, secured	6,414	6,414
Total indebtedness	25,318	25,318
Pro forma shareholders’ equity	24,131	37,331
Total Capitalisation and Indebtedness	49,449	62,649

CAPITALISATION AND INDEBTEDNESS

BORROWINGS AND INDEBTEDNESS AS AT 30 APRIL 2005

Our cash and bank balances amounted to approximately S\$4.2 million and were held in Singapore Dollars and US Dollars.

Our bills payable amounted to approximately S\$11.2 million comprising trust receipts drawn on Singapore banks. These bills payable bore interests ranging from 3.1% to 4.3% per annum.

Our secured short-term loans comprised short-term revolving loans amounted to approximately S\$5.7 million. These short-term revolving loans were used to make partial payment for the purchase of the property at 119 Neythal Road Singapore 628605 and for working capital purposes. These loans bore interests at 3.1% to 3.7% per annum. These loans were obtained pursuant to:

- (a) a facility letter dated 30 January 2004 from United Overseas Bank Limited to Union Steel for banking facilities with a maximum availability of S\$8.0 million. Indebtedness under the banking facilities was secured by an open legal mortgage over our property at 119 Neythal Road Singapore 628605 and a personal guarantee for S\$8.0 million signed jointly and severally by Messrs Ang Yu Seng and Ang Yew Lai. Pursuant to the terms and conditions of the banking facilities, Union Steel cannot sell or transfer the mortgaged property or any part thereof without the prior consent of United Overseas Bank Limited. We intend to utilise part of our Invitation proceeds to pay down the aforesaid short-term revolving loan;
- (b) a facility letter dated 16 July 2004 from OCBC Bank to Union Steel for banking facilities with a maximum availability of S\$13.6 million. Indebtedness under the banking facilities was secured by a fresh open mortgage over our property at 31 Pioneer Road North Singapore 628472 and 33 Pioneer Road North Singapore 628474 and a deed of guarantee and indemnity for S\$13.6 million signed by Messrs Ang Yu Seng and Ang Yew Lai; and
- (c) a facility letter dated 17 March 2005 from Hong Leong Finance Limited to YLS Steel for banking facilities with a maximum availability of S\$0.5 million. Indebtedness under the banking facilities was secured by a personal guarantee signed by Messrs Ang Yu Seng and Ang Yew Lai.

Our hire purchase obligations of approximately S\$0.9 million related mainly to the purchase of plant, machinery and material handling equipment and motor vehicles. They were secured on the respective plant, machinery and material handling equipment and motor vehicles and bore interests ranging from 2.2% to 5.9% per annum.

Our secured long-term bank loans of approximately S\$7.6 million comprised an outstanding amount of S\$2.8 million in respect of a term loan granted by OCBC Bank relating to the purchase of the properties at 4 Pioneer Sector 1, Singapore 628416 and 31 Pioneer Road North Singapore 628472 and 33 Pioneer Road North Singapore 628474, an outstanding amount of S\$2.4 million in respect of a term loan granted by Sing Investments & Finance Limited relating to the purchase of the property at 8 Tuas View Square Singapore 637574 (the "Sing Investments Term Loan") and an outstanding amount of S\$2.4 million in respect of a term loan granted by Sing Investments & Finance Limited related to the purchase of the property at 14 Gul Road Singapore 629344. These secured long-term loans bore interests ranging from 2.5% to 4.0% per annum.

The aforesaid Sing Investments Term Loan was granted pursuant to a facility letter dated 20 March 2002 by Sing Investments & Finance Limited to YLS Steel, in which a construction and land loan was subsequently converted into a term loan with a maximum availability of S\$3.65 million. Indebtedness under this term loan was secured by an existing open mortgage of our property at 8 Tuas View Square Singapore 637574 and a personal guarantee signed jointly and severally by Messrs Ang Yu Seng, Ang Yew Lai and Ang Yew Chye. We intend to utilise part of our Invitation proceeds to fully repay this term loan.

CAPITALISATION AND INDEBTEDNESS

CONTINGENT LIABILITIES

As at the Latest Practicable Date, we had contingent liabilities as follows:

	S\$'000
Bankers' guarantee	98
Performance guarantee	122
Letters of credit to trade creditors	2,025
	<hr/>
	2,245
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The above guarantees are provided to our customers and suppliers in the ordinary course of business.

COMMITMENTS

We have the following commitments which are contracted for but not provided for in the financial statements:

(a) Capital commitments

As at the Latest Practicable Date, we had capital expenditure commitments of approximately S\$1.0 million, which will be funded by internal cash flows and bank borrowings, as follows:

	S\$'000
Plant and machinery ⁽¹⁾	345
Leasehold land and buildings ⁽²⁾	627
	<hr/>
	972
	<hr/>

Note:

- (1) This capital commitment relates to the purchase of machines, containers and computers.
- (2) This capital commitment relates to the construction of Jalan Samulun Singapore 629120. Please see the section entitled "Properties".

(b) Lease commitments

As at the Latest Practicable Date, we had non-cancellable operating lease commitments in respect of the yards, factories, warehouses and office premises occupied by us as follows:

	S\$'000
Payable:	
– within one year	1,375
– in the second to fifth years inclusive	4,131
– after five years	17,226
	<hr/>
	22,732
	<hr/>

Save as disclosed, there is no material capital investment, the making or divestment of which is in progress.

CAPITALISATION AND INDEBTEDNESS

OTHERS

As at the Latest Practicable Date, we had S\$53.7 million of short-term credit facilities comprising overdraft facilities, trade financing facilities and short-term loans, of which S\$39.7 million were undrawn and available. The interest rates for borrowings under these facilities ranged between 3.1% and 4.3% per annum.

Save as disclosed above and in the section entitled “Liquidity and Capital Resources”, “Independent Auditors’ Report and Unaudited Pro Forma Group Financial Information for FY2002, FY2003 and FY2004” and the “Report from the Independent Auditors in relation to the Unaudited Interim Financial Information for the six months ended 31 December 2004” and the related notes as set out in Appendix IV and Appendix V of this Prospectus, respectively, we have no other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptance (other than normal trading bills) or acceptance credits, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

DILUTION

Dilution is the amount by which the Invitation Price paid by the subscribers of our Shares in this Invitation exceeds our NTA per Share after the Invitation. Our Adjusted NTA before the net proceeds from the issue of New Shares and based on the pre-Invitation issued and paid-up share capital of 272,105,250 Shares was 7.91 cents per Share.

Based on the issue of 75,000,000 New Shares at the Invitation Price pursuant to the Invitation and after deducting the estimated issue expenses, our Adjusted NTA would have been 10.00 cents per Share based on the post-Invitation issued and paid-up share capital of 347,105,250 Shares. This represents an immediate increase in NTA of 2.09 cents per Share to our existing Shareholders and an immediate dilution of 10.00 cents per Share to new investors.

The following table illustrates such dilution on a per Share basis:

	Per Share (Cents)
Invitation Price	20.00
Adjusted NTA per Share as at 31 December 2004	7.91
Increase in NTA per Share contributed by new investors	2.09
Adjusted NTA per Share after the Invitation ⁽¹⁾	10.00
Dilution per Share to new public investors	10.00

Note:

- (1) The computed NTA does not take into account our actual financial performance from 1 January 2005 up to the Latest Practicable Date. Depending on our actual financial results, our Adjusted NTA per Share may be higher or lower than the computed NTA.

The following table summarises the total number of Shares issued by us, the total consideration paid to us and the average price per Share by our existing Shareholders (after adjusting for the Restructuring, the Consolidation and the Sub-division of Shares), and the new investors pursuant to the Invitation:

	Number of Shares	%	Consideration (S\$)	%	Average Price Per Share (S\$)
Existing Shareholders					
- Ang Yu Seng	163,263,150 ⁽¹⁾	47.0	9,795,789	31.3	0.06
- Ang Yew Lai	68,026,312	19.6	4,081,579	13.0	0.06
- Ang Yew Chye	40,815,788	11.8	2,448,947	7.8	0.06
New investors	75,000,000	21.6	15,000,000	47.9	0.20
Total	347,105,250	100.0	31,326,315	100.0	

Note:

- (1) Prior to the Invitation, Mr Ang Yu Seng transferred 3,000,000 Shares out of the 163,263,150 Shares held by him to 73 employees of our Group, including Ang Siew Chin and Ang Lay Eng, the sisters of our Executive Directors, by way of gift in recognition of their past contributions and/or to motivate their performance. The transfers are subject to written undertakings provided by each of the 73 employees to Mr Ang not to sell, transfer or dispose of the Shares for a period of six months from the date of our admission to the Official List of the SGX-ST.

SHARE CAPITAL

SHARE CAPITAL

Our Company was incorporated in Singapore on 12 August 2004 under the Companies Act as a private limited company under the name of Union Steel Holdings Pte. Ltd. At the date of incorporation, the authorised capital of our Company was S\$100,000,000.00 divided into 100,000,000 ordinary shares of S\$1.00 each, and our issued and paid-up share capital was S\$100.00 divided into 100 ordinary shares of S\$1.00 each.

Pursuant to resolutions passed on 28 June 2005 by our Shareholders, our Shareholders approved, amongst other things, the following:

- (a) the increase in the authorised share capital of our Company from S\$100,000,000.00 divided into 100,000,000 ordinary shares of S\$1.00 each to S\$300,000,000.00 divided into 300,000,000 ordinary shares of S\$1.00 each;
- (b) the issue to Messrs Ang Yu Seng, Ang Yew Lai and Ang Yew Chye of 10,205,019, 4,286,193 and 1,835,003 ordinary shares of S\$1.00 each in the issued share capital of our Company in respect of the Restructuring Exercise;
- (c) the consolidation of three ordinary shares of S\$1.00 each in the authorised and issued share capital of our Company into one ordinary share of S\$3.00 each;
- (d) the sub-division of each ordinary share of S\$3.00 each in the authorised and issued share capital of our Company into 50 ordinary shares of S\$0.06 each;
- (e) the adoption of a new set of Articles of Association of the Company;
- (f) the conversion of our Company into a public limited company and the change of its name into Union Steel Holdings Limited;
- (g) the allotment and issue of the New Shares which are the subject of the Invitation. The New Shares, when allotted, issued and fully paid-up, will rank *pari passu* in all respects with our existing issued and fully paid-up Shares;
- (h) the adoption, implementation and administration of the Union Steel Holdings Employee Share Option Scheme and the allotment and issue of new Shares to be issued pursuant to the exercise of Options to be granted under the Scheme; and
- (i) that authority be and is hereby given to our Directors to:
 - (A) (i) offer, allot and issue Shares whether by way of rights, bonus or otherwise; and/or
 - (ii) make or grant offers, agreements or Options (collectively, "Instruments") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as our Directors may in their absolute discretion deem fit; and

- (B) (notwithstanding the authority conferred by this authority may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by our Directors while this authority was in force,

SHARE CAPITAL

provided that:

- (1) the aggregate number of Shares to be issued pursuant to such authority (including Shares to be issued in pursuance of Instruments made or granted pursuant to this authority) does not exceed 50 per cent. of the issued share capital of our Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro rata basis to Shareholders of our Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this authority) does not exceed 20 per cent. of the issued share capital of our Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the percentage of issued share capital shall be based on the issued share capital of our Company immediately following the allotment and issue of New Shares upon the close of the Invitation, after adjusting for:
 - (i) new Shares arising from the conversion or exercise of any convertible securities or share Options or vesting of share awards which are outstanding or subsisting at the time this authority is passed; and
 - (ii) any subsequent consolidation or sub-division of Shares;
- (3) in exercising the authority conferred by this authority, our Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles for the time being of our Company; and
- (4) (unless revoked or varied by our Company in general meeting) the authority conferred by this authority shall continue in force until the conclusion of the next Annual General Meeting of our Company or the date by which the next Annual General Meeting of our Company is required by law or our Articles to be held, whichever is the earlier.

As at the date of this Prospectus, there is only one class of shares in the capital of our Company, being ordinary shares of S\$0.06 each. None of our Shares are bearer shares. A summary of the Articles of our Company relating to the voting rights of Shareholders is set out in Appendix III. There are no founder, management, deferred or unissued Shares reserved for issuance for any purpose.

A summary of the changes in our issued and paid-up share capital since incorporation and immediately after the Invitation is as follows:

	Number of Shares	S\$
Issued and fully-paid ordinary shares of S\$1.00 each as at 12 August 2004 ⁽¹⁾	100	100
Issue of new ordinary shares of S\$1.00 each pursuant to the Restructuring Exercise	16,326,215	16,326,215
	16,326,315	16,326,315
Consolidation	5,442,105	16,326,315
Sub-division of Shares	272,105,250	16,326,315
New Shares to be issued pursuant to the Invitation	75,000,000	4,500,000
Post-Invitation share capital	347,105,250	20,826,315

Note:

- (1) Date of incorporation of our Company

SHARE CAPITAL

A summary of our authorised share capital and Shareholders' funds as at 12 August 2004⁽¹⁾, before and after adjustment to reflect the Restructuring Exercise, the Consolidation and the Sub-division of Shares and the Invitation, are set forth below. These statements should be read in conjunction with the "Independent Auditors' Report and Unaudited Pro Forma Group Financial Information for FY2002, FY2003 and FY2004" and the "Report from the Independent Auditors in relation to the Unaudited Interim Financial Information for the six months ended 31 December 2004" as set out in Appendix IV and Appendix V of this Prospectus, respectively:

	As at 12 August 2004 ⁽¹⁾	After the Restructuring Exercise and the Consolidation and the Sub-division of Shares	After the Invitation
	S\$	S\$	S\$
Authorised Share Capital			
Ordinary shares of S\$1.00 each	100,000,000	—	—
Shares of S\$0.06 each	—	300,000,000	300,000,000
Shareholders' funds			
Issued and fully paid-up Shares	100	16,326,315	20,826,315
Share Premium	—	—	8,700,000 ⁽²⁾
Total shareholders' funds	100	16,326,315	29,526,315

Note:

(1) Date of incorporation of our Company.

(2) Relates mainly to share premium arising from this Invitation, being the difference of the net proceeds and the aggregate nominal value of the New Shares.

SHAREHOLDERS

Our Shareholders and their respective shareholdings in our Company immediately before and after the Invitation are set out below:

	← Before the Invitation →				← After the Invitation →			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Directors								
Ang Yu Seng	160,263,150 ⁽¹⁾	58.9	—	—	151,863,150	43.7	—	—
Ang Yew Lai	68,026,312	25.0	—	—	64,526,312	18.6	—	—
Ang Yew Chye	40,815,788	15.0	—	—	38,715,788	11.2	—	—
Chang Yeh Hong ⁽²⁾	—	—	—	—	—	—	—	—
Siau Kai Bing ⁽²⁾	—	—	—	—	—	—	—	—
Chan Kok Poh ⁽²⁾	—	—	—	—	—	—	—	—

SHARE CAPITAL

	← Before the Invitation →				← After the Invitation →			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Shareholders of less than 5% who are related to our Directors or Substantial Shareholders								
Ang Siew Chin ⁽¹⁾	250,000	0.1	—	—	250,000	0.1	—	—
Ang Lay Eng ⁽¹⁾	250,000	0.1	—	—	250,000	0.1	—	—
Employees⁽¹⁾	2,500,000	0.9	—	—	2,500,000	0.7	—	—
Public (including Reserved Shares)⁽²⁾	—	—	—	—	89,000,000	25.6	—	—
Total	<u>272,105,250</u>	<u>100.0</u>			<u>347,105,250</u>	<u>100.0</u>		

Note:

- (1) Prior to the Invitation, Mr Ang Yu Seng transferred 3,000,000 Shares out of the 163,263,150 Shares held by him to 73 employees of our Group, including Ang Siew Chin and Ang Lay Eng, the sisters of our Executive Directors, by way of gift in recognition of their past contributions and/or to motivate their performance. The transfers are subject to written undertakings provided by each of the 73 employees to Mr Ang not to sell, transfer or dispose of the Shares for a period of six months from the date of our admission to the Official List of the SGX-ST.
- (2) Mr Chan Kok Poh who is our Non-Executive Director and Messrs Chang Yeh Hong and Siau Kai Bing who are our Independent Directors will each be offered 200,000, 100,000 and 100,000 Reserved Shares, respectively, in respect of their future contributions to our Group. If they subscribe for the said Reserved Shares, they may hold, dispose of or transfer all or part of their shareholdings in our Company after our admission to the Official List of the SGX-ST.

Save for Messrs Ang Yu Seng, Ang Yew Lai and Ang Yew Chye who are brothers, there are no other relationship between our Directors and Substantial Shareholders.

Save as disclosed above, our Company is not directly or indirectly owned or controlled by a corporation, any government or other natural legal person whether severally or jointly.

There is no known arrangement the operation of which may, at a subsequent date, result in a change in control of our Company.

SHARE CAPITAL

VENDORS

The names of the Vendors and the number of Vendor Shares which they will be offering pursuant to the Invitation are as follows:

Name	Number of Shares held before the Invitation	Number of Vendor Shares offered pursuant to the Invitation	Vendor Shares as a percentage of our post-Invitation share capital	Number of Shares held after the Invitation
Ang Yu Seng	160,263,150	8,400,000	2.4%	151,863,150
Ang Yew Lai	68,026,312	3,500,000	1.0%	64,526,312
Ang Yew Chye	40,815,788	2,100,000	0.6%	38,715,788

MORATORIUM

To demonstrate their commitment to our Group, our Company's Substantial Shareholders and Directors, namely Messrs Ang Yu Seng, Ang Yew Lai and Ang Yew Chye who own in aggregate 255,105,250 Shares, representing approximately 73.5 per cent. of our enlarged issued and paid-up capital after the Invitation, have each undertaken not to realise, dispose of or transfer any part of their individual shareholdings in our Company for a period of six months commencing from the date of our Company's admission to the Official List of SGX-ST.

Prior to the Invitation, Mr Ang Yu Seng transferred 3,000,000 Shares out of the 163,263,150 Shares held by him to 73 employees of our Group, including Ang Siew Chin and Ang Lay Eng, the sisters of our Executive Directors, by way of gift in recognition of their past contributions and/or to motivate their performance. The transfers are subject to written undertakings provided by each of the 73 employees to Mr Ang not to sell, transfer or dispose of the Shares for a period of six months from the date of our admission to the Official List of the SGX-ST.

GROUP STRUCTURE

RESTRUCTURING EXERCISE

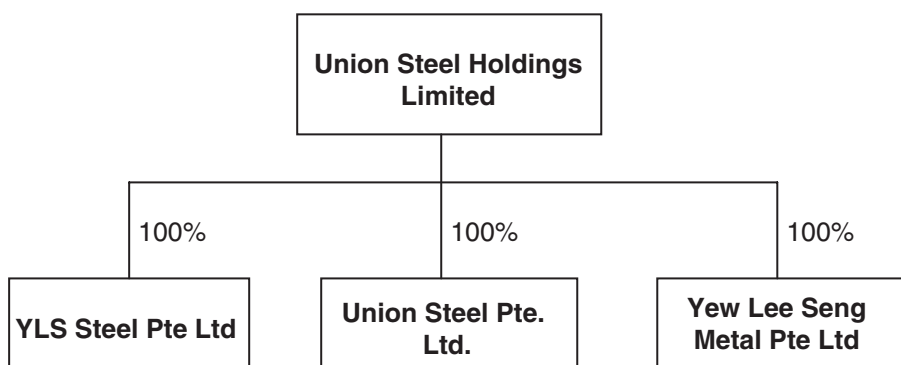
To streamline and rationalise our corporate structure and in connection with the Invitation, we carried out a restructuring exercise (the “Restructuring Exercise”) which involved the following transactions:

- (a) the incorporation of Union Steel Holdings Limited to serve as the ultimate holding company for our Group, with an initial paid-up and issued share capital of S\$100.00 comprising 100 ordinary shares of S\$1.00 each;
- (b) the transfer by Messrs Ang Yu Seng and Ang Yew Lai of 700,000 and 300,000 ordinary shares of S\$1.00 each, respectively, in the fully paid-up share capital of Union Steel, representing in aggregate, the entire issued and paid-up share capital of Union Steel, to our Company at a consideration of S\$4,092,780 based on the audited NTA value of Union Steel as at 30 June 2004. The consideration was satisfied in full by the allotment and issue of 2,864,946 and 1,227,834 ordinary shares of S\$1.00 each in our Company to Messrs Ang Yu Seng and Ang Yew Lai, respectively;
- (c) the bonus issue of 8,000,000 ordinary shares of S\$1.00 each by way of capitalisation of S\$8.0 million from YLS Steel’s retained profits;
- (d) the transfer by Messrs Ang Yu Seng, Ang Yew Lai and Ang Yew Chye of 5,400,009, 2,250,000 and 1,349,991 ordinary shares of S\$1.00 each, respectively, in the fully paid-up share capital of YLS Steel, representing in aggregate, the entire issued and paid-up share capital of YLS Steel, to our Company at a consideration of S\$12,105,457 based on the audited NTA value of YLS Steel as at 30 June 2004. The consideration was satisfied in full by the allotment and issue of 7,263,286, 3,026,364 and 1,815,807 ordinary shares of S\$1.00 each in our Company to Messrs Ang Yu Seng, Ang Yew Lai and Ang Yew Chye, respectively;
- (e) the transfer by Messrs Ang Yu Seng, Ang Yew Lai and Ang Yew Chye of 72,000, 30,000 and 18,000 ordinary shares of S\$1.00 each, respectively, in the fully paid-up share capital of Yew Lee Seng Metal, representing in aggregate, the entire issued and paid-up share capital of Yew Lee Seng Metal, to our Company at a consideration of S\$127,978 based on the audited NTA value of Yew Lee Seng Metal as at 30 June 2004. The consideration was satisfied in full by the allotment and issue of 76,787, 31,995 and 19,196 ordinary shares of S\$1.00 each in our Company to Messrs Ang Yu Seng, Ang Yew Lai and Ang Yew Chye, respectively; and
- (f) the transfer by Messrs Ang Yu Seng and Ang Yew Lai to Mr Ang Yew Chye of 409,290 and 204,639 ordinary shares of S\$1.00 each, respectively, in the fully paid-up share capital of our Company at par value to achieve the shareholding percentages in the Company as agreed between Messrs Ang Yu Seng, Ang Yew Lai and Ang Yew Chye.

GROUP STRUCTURE

GROUP STRUCTURE

Our Group structure after the Restructuring Exercise and as at the date of this Prospectus is as follows:



The details of each subsidiary of our Company as at the Latest Practicable Date are as follows:

Name	Date and place of incorporation	Principal Business	Principal Place of Business	Issued and paid-up capital	Effective Interest Owned by our Company
Union Steel Pte. Ltd.	23 November 1991 Singapore	Recycling of non-ferrous metals and stainless steel	Singapore	S\$1,000,000	100%
YLS Steel Pte Ltd	19 January 1984 Singapore	Recycling of scrap metals, trading of steel products, waste collection and management, car scrapping services and rental of steel plates	Singapore	S\$9,000,000	100%
Yew Lee Seng Metal Pte Ltd	9 July 1988 Singapore	Demolition of buildings and trading of ferrous and non-ferrous scrap metals	Singapore	S\$120,000	100%

Note:

(1) None of our subsidiaries is listed on any stock exchange.

GENERAL INFORMATION ON OUR GROUP

HISTORY

Our Company was incorporated in Singapore under the Companies Act on 12 August 2004 as a private limited company under the name of Union Steel Holdings Pte. Ltd. On 29 June 2005, we converted to a public limited company and changed our name to Union Steel Holdings Limited. Union Steel Holdings Limited was established as the listing vehicle and holding company for our Group's businesses.

We commenced operations in 1984 with the incorporation of YLS Steel to principally trade in scrap metals. In 1988, we incorporated Yew Lee Seng Metal for the collection of scrap metals and in 1991, we incorporated Union Steel to engage in the complementary business of collecting, recycling and trading in all grades of non-ferrous scrap metals. We currently have more than 20 years of experience in the collection and processing of a wide range of ferrous and non-ferrous scrap metals.

Significant events in the development of our business are set out below:

January 1984	:	YLS Steel was incorporated.
July 1988	:	Yew Lee Seng Metal was incorporated.
November 1991	:	Union Steel was incorporated.
November 1999	:	YLS Steel was ranked one of the top small and medium enterprises by DP Information Network Pte Ltd in the annual Singapore 500 Small Medium Enterprises awards.
July 2000	:	YLS Steel was appointed by the Land Transport Authority of Singapore in 2000 to provide scrapping services for deregistered cars.
January 2001	:	YLS Steel and Union Steel obtained ISO9002:1994 status.
April 2001	:	YLS Steel was licensed by the National Environmental Agency of Singapore to carry out the removal and disposal of asbestos wastes in Singapore.
August 2001	:	YLS Steel became a member of the Waste Management and Recycling Association of Singapore, and approved by the National Environmental Agency of Singapore to provide waste disposal services.
July 2002	:	Yew Lee Seng Metal became a member of Singapore Metal & Machinery Association.
August 2003	:	YLS Steel and Union Steel obtained ISO9001:2000 status.
November 2003	:	Union Steel was presented the "Enterprise 50 Award" organised by Accenture and The Business Times and sponsored by the Economic Development Board of Singapore.
January 2004	:	Union Steel was ranked one of the top small and medium enterprises by DP Information Network Pte Ltd in the annual Singapore 500 Small Medium Enterprises awards.
August 2004	:	Union Steel was presented with the "Fastest Growing 50 Certification" by DP Information Network Pte Ltd.
August 2004	:	Union Steel Holdings Pte. Ltd. was incorporated as the holding company for our Group.

GENERAL INFORMATION ON OUR GROUP

- November 2004 : YLS Steel and Union Steel were each presented the “Enterprise 50 Award” organised by Accenture and The Business Times and sponsored by the Economic Development Board of Singapore
- June 2005 : Union Steel obtained ISO:14001 status
- June 2005 : We effected the restructuring exercise such that our Company became the holding company for our Group. Please refer to the section entitled “Restructuring Exercise” for a description of the restructuring exercise.
- June 2005 : We converted into a public limited company and changed our name to Union Steel Holdings Limited.

BUSINESS

We are 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.

Our Directors believe that we are one of the largest metals recyclers in Singapore in terms of volume of metals recycled. We recycled and sold approximately 122,934 tonnes, 129,192 tonnes, 100,683 tonnes and 54,458 tonnes of ferrous scrap metals in FY2002, FY2003, FY2004 and for the six months ended 31 December 2004, respectively, and approximately 19,339 tonnes, 25,238 tonnes, 28,106 tonnes and 13,620 tonnes of non-ferrous scrap metals in FY2002, FY2003, FY2004 and for the six months ended 31 December 2004, respectively. Our recycling operations primarily involve the collection, processing and packing 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, metals fabricators and metals brokers. We sell to our customers ferrous metals (such as steel and heavy melting scrap steel) and non-ferrous metals (such as copper, aluminium and stainless steel), processed according to the guidelines set by the Institute of Scrap Recycling Industries, Washington D.C.

We sold approximately 14,480 tonnes, 15,453 tonnes, 16,733 tonnes and 8,309 tonnes of steel products in FY2002, FY2003, FY2004 and for six months ended 31 December 2004, respectively. We offer a wide range of steel products which includes steel plates, reinforcement steel bars, H-beams, I-beams, pipes and sheet piles to our customers which include trading houses, construction companies and engineering companies.

To complement our metals recycling business, we also offer various services which provide us with additional sources of ferrous and non-ferrous scrap metals. We operate waste collection and management services through which we collect ferrous and non-ferrous scrap metals. We carry out demolition works through which we are able to collect scrap metals found in machinery, buildings and other structures containing metals. We also engage in the rental of steel plates and car scrapping services. By providing these complementary services, we are able to collect, at a competitive cost, both ferrous and non-ferrous scrap metals, which we use in our recycling business.

Export sales accounted for approximately 73.1%, 73.0%, 73.4% and 77.1% of our total revenue for FY2002, FY2003, FY2004 and for the six months ended 31 December 2004, respectively. A significant percentage of our revenue from export sales is derived from our customers in the PRC, India, Indonesia, Japan and Malaysia.

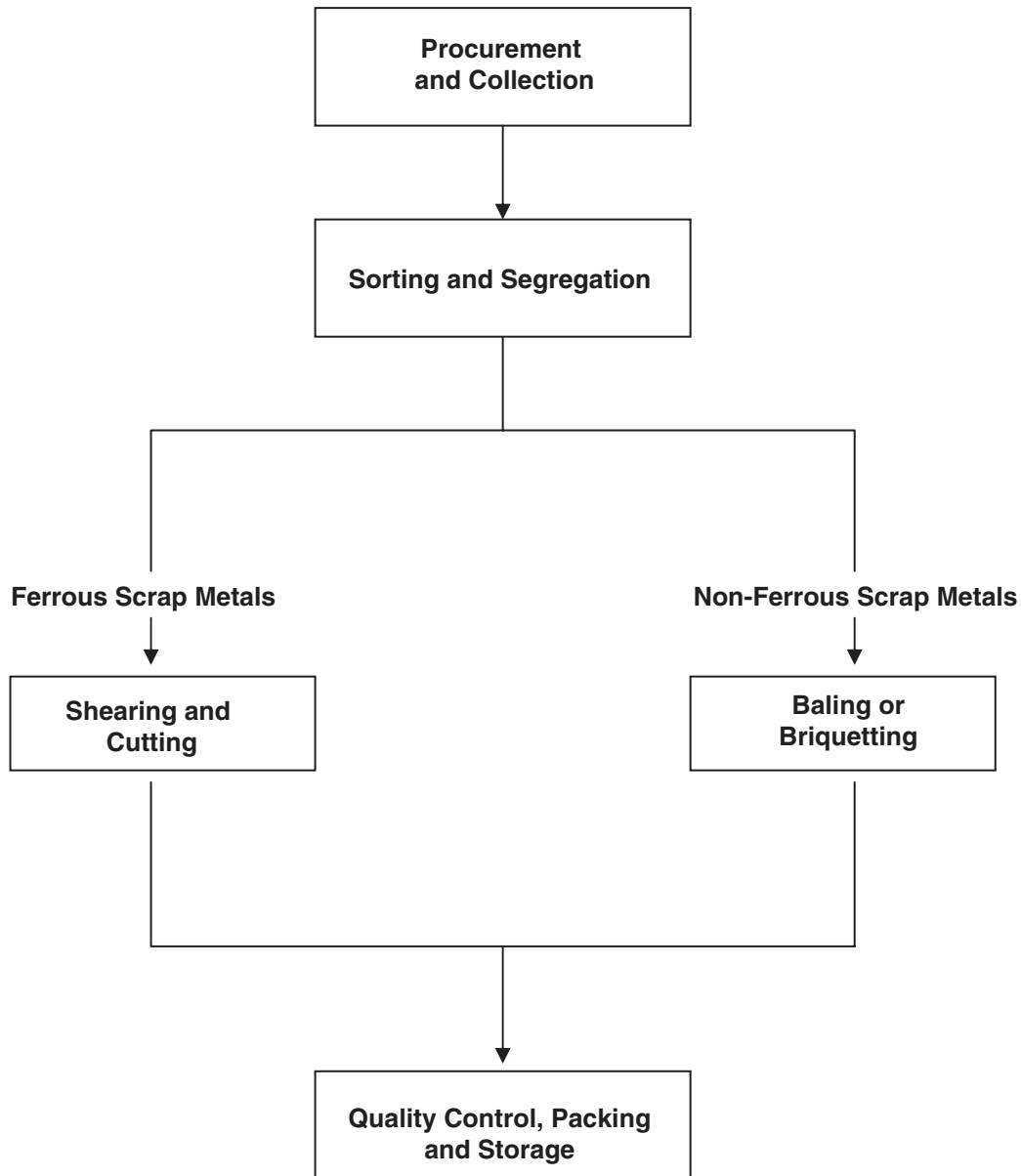
OUR RECYCLING BUSINESS

We believe that we provide one of the most comprehensive product offerings of both ferrous and non-ferrous scrap metals in Singapore. In FY2004 and for the six months ended 31 December 2004, our sales of ferrous metals accounted for approximately 33.7% and 37.1% of our Group’s revenue, respectively, and our sales of non-ferrous metals accounted for approximately 52.8% and 47.5% of our Group’s revenue, respectively.

GENERAL INFORMATION ON OUR GROUP

Our Recycling Process

The recycling process comprises (i) the procurement and collection of scrap metals; (ii) the sorting and segregation of scrap metals; (iii) the shearing or cutting of ferrous metals, the baling or briquetting of non-ferrous metals and (iv) the packing and storage of the recycled scrap metals. The following diagram summarises our recycling process for both ferrous and non-ferrous metals:



GENERAL INFORMATION ON OUR GROUP

Procurement and Collection

For both our ferrous and non-ferrous scrap metals, we purchase the scrap metals from both local and overseas sources. In FY2004, we purchased approximately 93,626 tonnes of ferrous scrap metals and approximately 16,919 tonnes of non-ferrous scrap metals from local suppliers, and imported approximately 8,170 tonnes of ferrous scrap metals and approximately 12,352 tonnes of non-ferrous scrap metals from overseas sources. For the six months ended 31 December 2004, we purchased approximately 43,456 tonnes of ferrous scrap metals and approximately 8,138 tonnes of non-ferrous scrap metals from local suppliers, and imported approximately 295 tonnes of ferrous scrap metals and approximately 3,830 tonnes of non-ferrous scrap metals from overseas sources. The demand and supply of scrap metals are the primary factors that determine metal prices. The continued availability of scrap metals is dependent upon, among other things, the local and regional economies, the level of recycling and demolition activities in Singapore and in other countries, and our ability to maintain supply relationships with local and foreign industrial and governmental sources.

We purchase ferrous scrap metals mainly from manufacturers who generate steel and metal scrap, scrap dealers, demolition firms, individual collectors of scrap metals who deliver the scrap metals directly to our production facilities, construction companies and engineering companies. In addition to these sources, we purchase ferrous scrap metals through tender from multinational companies, shipyards and government bodies such as the Singapore Housing Development Board.

We purchase non-ferrous scrap metals from (i) heavy industries and scrap dealers which generate or sell waste copper, aluminium, stainless steel, brass and other metals; (ii) individual collectors of scrap metals who deliver the scrap metals directly to our production facilities and (iii) producers of electricity, telecommunication service providers, and metals recycling companies that deal with non-ferrous scrap metals and primary-based metals such as copper and aluminium.

Before purchasing the ferrous and non-ferrous scrap metals, we weigh and inspect the grade of the scrap metals.

Sorting and Segregation

After unloading the scrap metals at our production facilities, we then sort and segregate the purchased scrap metals according to their type and grade before processing.

Shearing or Cutting

As part of our ferrous metals recycling process, we cut the ferrous scrap metals using either hand torches, alligator shears or stationary guillotine shears. For bulky, dirty and oversized ferrous scrap metals, we use shearing machines to cut these scrap metals to obtain denser and cleaner scrap metals.

Baling or Briquetting

As part of our non-ferrous recycling process, we prepare non-ferrous scrap metals by baling or briquetting.

Baling. We process light gauge non-ferrous metals such as copper, aluminium and stainless steel from industrial and manufacturing processes, such as stampings, clippings and excess trimmings, by baling these materials into large, uniform blocks. We use material handling equipment such as front-end loaders and grapples to feed the non-ferrous scrap metals into hydraulic presses, which compress the materials into uniform blocks.

Briquetting. Briquetting is a processing method where small particles of solid materials are pressed together to form metal blocks for easy handling and transportation. We are able to control the weight and size of the metal blocks to meet our customers' specifications.

GENERAL INFORMATION ON OUR GROUP

The specific recycling processes of some of our non-ferrous metals are as follows:

Copper. Copper scrap may be processed in several ways. We process copper scrap predominantly by using a wire-cutting machine. During the wire-cutting operations, the plastic casing of the wire is separated from the copper. In addition to wire-cutting, we process copper scrap by baling and other packing methods.

Aluminium and Stainless Steel. We process aluminium and stainless steel based on the size of the recycled metals and our customers' specifications. Large pieces of aluminium or stainless steel are cut and baled to produce large bales of aluminium or stainless steel. Smaller pieces of aluminium and stainless steel are packed into bags for easy handling and transportation.

Quality Control, Packing and Storage

Ferrous Scrap Metals. We send the recycled scrap metals to our yards for storage. Upon receiving orders from our customers, we load the metals onto trucks or pack them in containers and weigh them before delivery.

Non-Ferrous Scrap Metals. We conduct visual checks to verify the grade of the recycled non-ferrous scrap metals. The recycled non-ferrous scrap metals are then packed, weighed and stored at our warehouse until delivery to customers.

We weigh the recycled ferrous and non-ferrous scrap metals on weighbridges to help ensure that the correct quantity is being sold to our customers. All our weighbridges are equipped with weighing indicators for transparency in the weighing process. Our weighbridges are calibrated by Spring Singapore (Weight and Measure) once every two years.

OUR STEEL TRADING BUSINESS

In FY2004 and for the six months ended 31 December 2004, the revenue from trading in steel products accounted for approximately 11.6% and 13.1% of our total revenue, respectively.

We mainly trade in steel products such as steel plates, reinforcement steel bars, H-beams, I-beams, pipes and sheet piles. A description of our main steel products may be found below:

(a) **Steel Plates**

Steel plates are typically used by construction firms, engineering firms and metal fabricators. We stock and distribute steel plates of various sizes. However, we would generally stock steel plates with dimensions of 4 ft x 8 ft, 5 ft x 20 ft, 6 ft x 20 ft, 8 ft x 20 ft and 8 ft x 30 ft as steel plates of these dimensions are more commonly in demand.

(b) **Reinforcement Steel Bars**

Reinforcement steel bars are predominantly used by construction companies for the reinforcement of concrete works. We generally sell reinforcement steel bars which are 12 m long and of varying diameters, ranging from 10 mm to 32 mm.

(c) **I-Beams and H-Beams**

I-Beams and H-Beams are primarily used in the construction industry, and are usually in dimensions that range between 100 mm x 50 mm to 600 mm x 300 mm. I-Beams are "I" shaped beams generally used for pillar supports for buildings and H-Beams are "H" shaped beams used for piling purposes in foundations for buildings.

GENERAL INFORMATION ON OUR GROUP

(d) Sheet Piles

Sheet piles are used as earth retaining structures that are driven into place side by side to form a wall. Sheet piles are typically utilised in excavation projects and construction along ports, harbours and underground tunnels with soft soil conditions. We generally sell sheet piles with dimensions of 400 mm x 125 mm x 13.0 mm x 12 m (type 3 sheet pile), 400 mm x 150 mm x 13.1 mm x 12 m (type 3A sheet pile) and 400 mm x 170 mm x 15.5 mm x 12 m (type 4 sheet pile).

We purchase steel products primarily from steel mills or agents of steel mills and maintain an inventory of steel products of different sizes and lengths. By offering inventory management and just-in-time delivery services, we have a track record for being able to fulfill our customers' orders on time.

The guidelines and testing procedures for steel products are normally included in the general standard systems of most industrial countries. Some of the relevant institutions providing these guidelines are the American Society for Testing and Materials in Philadelphia, United States of America, the British Standards Institute in London, United Kingdom, the Japanese Industrial Standards Committee in Tokyo, Japan and the Singapore Standard, SS2:1999: Specification for Steel for the Reinforcement of Concrete. We generally purchase steel products which adhere to the guidelines set by the Singapore Standard, SS2:1999: Specification for Steel for the Reinforcement of Concrete.

OUR OTHER BUSINESSES

Our other businesses include waste collection and management, demolition works, rental of steel plates and car scrapping services and collectively accounted for approximately 1.9% and 2.4% of our Group's total revenue in FY2004 and for the six months ended 31 December 2004, respectively.

We are licensed by the National Environmental Agency of Singapore to collect general waste and to provide asbestos waste removal and disposal services. We also dismantle and demolish buildings, machinery and other structures containing metals, engage in the rental of steel plates mainly to construction companies, and operate a car scrapping centre approved by the Land Transport Authority of Singapore. These businesses provide us with opportunities to collect, at a competitive cost, both ferrous and non-ferrous metals. In addition to our other businesses, we also derive rental income from the lease of our premises to third parties.

OUR FACILITIES

We currently have the following facilities:

Location	Approximate Land Area (sq m)	Principal Activities
4 Pioneer Sector 1 Singapore 628416	11,270	Warehouse for storage of steel products Partially sub-leased to third parties
30 Tuas South Avenue 8 Singapore 637653	8,300	Factory for recycling ferrous scrap metals Partially sub-leased to third parties
76 Joo Koon Circle Singapore 629096	4,920	Warehouse for storage of ferrous and non-ferrous scrap metals Partially sub-leased to third parties

GENERAL INFORMATION ON OUR GROUP

Location	Approximate Land Area (sq m)	Principal Activities
1 Wan Shih Road Lot A12793 Singapore 627900 ⁽¹⁾	13,000	Yard for storage of ferrous scrap metals
14 Defu Lane 11 Singapore 539170	4,750	Yard for storage of ferrous scrap metals and non-ferrous scrap metals
14 Gul Road Singapore 629344	21,089	Yard for steel products and processing of ferrous scrap metals
31 Pioneer Road North Singapore 628472 and 33 Pioneer Road North Singapore 628474	7,739	Office premises, factory and warehouse for processing and storage of non-ferrous scrap metals
Jalan Terusan Singapore 619295	16,470	Storage of machinery, collection bins and containers Partially sub-leased to third parties

Note:

- (1) Commencing 1 January 2005, our lease at 1 Wan Shih Road Lot 12793 Singapore 627900 is renewable on a monthly basis. We have submitted an application to JTC Corporation to terminate the lease which we expect will be terminated by the end of the third quarter of 2005. We are currently constructing a yard-cum-factory at Jalan Samulun Singapore 629120, which we expect to be completed by the end of 2005 and which we intend to use as a replacement for our facility at 1 Wan Shih Road Lot A12793.

For the purpose of illustrating the utilisation rate of our facilities, we have determined the rate based on the actual volume of scrap metals recycled as a percentage of its production capacity. In this respect, our utilisation rates of our production facility for the last three financial years are as follows:

Production Facility⁽¹⁾	FY2002		FY2003		FY2004	
	Production Capacity	Utilisation Rate	Production Capacity	Utilisation Rate	Production Capacity	Utilisation Rate
30 Tuas South Avenue 8 Singapore 637653	172,800 ⁽²⁾	67.7% ⁽²⁾	230,400 ⁽²⁾	50.9% ⁽³⁾	230,400 ⁽²⁾	42.7% ⁽³⁾
76 Joo Koon Circle Singapore 629096 ⁽⁴⁾	36,864	55% ⁽⁵⁾	36,864	68% ⁽⁵⁾	36,864	76% ⁽⁵⁾

Note:

- (1) 4 Pioneer Sector 1 Singapore 628416, 1 Wan Shih Road Lot A12793 Singapore 627900 and 14 Defu Lane 11 Singapore 539170 are used to store steel products and ferrous and non-ferrous scrap metals. No significant processing activities were conducted at these facilities in FY2002, FY2003 and FY2004.
- (2) We have calculated our production capacity for our facility at 30 Tuas South Avenue 8 Singapore 637653 for each of the financial years based on the number of employees at the facility each working eight hours a day, six days a week and assuming that we are able to process 15 metric tonnes of ferrous scrap metals for each hour of operation.

GENERAL INFORMATION ON OUR GROUP

- (3) In July 2002, we acquired a shearing machine with a shear cutting force of 1000 tonnes. In FY2003 and FY2004, we have calculated our production capacity for our facility at 30 Tuas South Avenue 8 Singapore 637653 for each of the financial years based on the number of employees at the facility each working eight hours a day, six days a week and assuming that we are able to process 20 metric tonnes of ferrous scrap metals for each hour of operation. Our utilisation rate at 30 Tuas South Avenue 8 Singapore 637653 decreased from 67.7% in FY2002 to 50.9% in FY2003 and to 42.7% in FY2004. The decrease in the utilisation rate in FY2003 was principally due to the acquisition of our shearing machine which increased our operational efficiencies. The decrease in the utilisation rate in FY2004 was principally due to the decrease in the supply of ferrous scrap metals as a result of volatile fluctuations in metal prices in FY2004.
- (4) We ended factory operations at 76 Joo Koon Circle Singapore 629096 in November 2004 and began factory operations at 31 Pioneer Road North Singapore 628472 and 33 Pioneer Road North Singapore 628474 in December 2004.
- (5) We have calculated our production capacity for our facility at 76 Joo Koon Circle Singapore 629096 for each of the financial years based on the number of employees at the facility each working eight hours a day, six days a week and assuming that we are able to process two metric tonnes of non-ferrous scrap metals for each hour of operation.

Our Directors are of the opinion that our production capacity is adequate for our present needs. However, in line with our plans to improve our operating efficiencies, we purchased a new shearing machine in 2004 which is being utilised at our production facility at 14 Gul Road Singapore 629344.

QUALITY ASSURANCE

We place great emphasis on quality assurance.

For our recycled scrap metals, we perform visual checks to verify that the grade of these recycled scrap metals meet our customers' requirements. The scrap metals we supply are verified by an external surveyor's report upon our customers' request and are in accordance with the guidelines set by the Institute of Scrap Recycling Industries, Washington D.C. We believe that our standards for accepting metals have contributed to low return rates from our customers.

For our steel trading business, we generally purchase from suppliers who provide us with a mill certificate stating the specifications of the steel products.

YLS Steel and Union Steel have each obtained ISO9001:2000 certification. This certification takes approximately one year to obtain. Each company seeking ISO certification is required to establish a quality system that is documented in a quality manual, and this affects all aspects of the company's operations, including sales, product inspections, product storage, delivery and documentation. We believe that going through this certification process allows us to improve our efficiency in providing services to our customers.

RESEARCH AND DEVELOPMENT

Due to the nature of our businesses, we do not incur any expenses in research and development activities.

MARKETING AND DISTRIBUTION

Our sales and marketing department consists of 21 personnel as at the Latest Practicable Date. Our sales and marketing personnel are located in Singapore and service our customers in Singapore and abroad.

GENERAL INFORMATION ON OUR GROUP

INVENTORY MANAGEMENT

Our inventory levels for ferrous and non-ferrous metals and steel products are maintained by taking into account the expected demand and supply patterns for our ferrous and non-ferrous metals and steel products. We typically maintain a product inventory level of approximately one to two months of our expected sales.

In the last three financial years, we have not made any provision for inventories as we were able to sell our inventories above cost.

The closing inventory turnover carried by us for each of the last three financial years is as follows:

Number of Days	FY2002	FY2003	FY2004	HY2005
Closing Inventory Turnover (Days)	24	30	52	38

The increase in our closing inventory turnover from 30 days in FY2003 to 52 days in FY2004 was primarily due to our decreased sales of ferrous and non-ferrous scrap metals in May and June 2004 as a result of a slowdown in demand in those months. The decrease in our closing inventory turnover from 52 days to 38 days was primarily due to higher stock turnover in the last quarter of 2004.

CREDIT MANAGEMENT

Our credit management policies are as follows:

Within Singapore

Sales to our customers in Singapore are typically on cash on delivery terms or credit terms of up to 30 days. The credit terms are determined on a case-by-case basis depending on the creditworthiness and the length of relationship with the customer.

Export Sales

The majority of our sales to customers outside Singapore are on letter of credit terms. 22.9%, 28.1%, 37.7% and 38.8% of our trade debtors' balance as at 30 June 2002, 2003 and 2004 and 31 December 2004, respectively, were on letter of credit terms. For certain customers, we may require a cash deposit amounting from approximately 10% to 30% of the sales order amount upon placement of the sales order with us. The outstanding amounts are paid through letters of credit or documents against payment. Depending on the creditworthiness and the length of relationship with the customer, we may extend credit terms of up to 30 days.

Our closing trade receivable turnover for each of the last three financial years is as follows:

Number of Days	FY2002	FY2003	FY2004	HY2005
Closing Trade Receivable Turnover (Days)	38	37	28	34

The reduction in our closing trade receivable turnover in FY2004 to 28 days was primarily due to increased sales in Singapore on cash on delivery terms. The increase in our closing trade receivable turnover in HY2005 to 34 days was primarily due to a S\$2.4 million sale of scrap metals to PT. Krakatau Steel in December 2004 on letter of credit terms. We received payment for the sale in January 2005.

GENERAL INFORMATION ON OUR GROUP

Our Group does not have a policy of making general provision for any doubtful debts. Specific provision will be made when we are of the view that the collectibility of the outstanding debt is doubtful. The debt is written off when we are certain that the customer is unable to meet its financial obligations or after we have exhausted all legal recourse.

We made specific provision for doubtful debts of approximately S\$138,000, S\$82,000 and S\$60,000 in FY2003, FY2004 and HY2005, respectively, representing less than 1.0% of our revenue for FY2003, FY2004 and HY2005. No provision for doubtful debts was required in FY2002. In FY2003, we incurred debt write offs of approximately S\$60,000, representing less than 1.0% of our revenue for FY2003. We did not incur debt write offs for FY2002, FY2004 and HY2005.

GENERAL INFORMATION ON OUR GROUP

MAJOR CUSTOMERS

We have a customer base of over 500 customers who have purchased recycled scrap metals and steel products from us within the last three financial years.

The following table sets forth our customers accounting for 5% or more of our Group's total revenue for the last three financial years:

Customers	Products sold by us	As a percentage of total revenue		
		FY2002	FY2003	FY2004
PRC				
Nanhai Xiangyang Metal Factory	Non-ferrous scrap metals	20.0	21.9	18.6
Nanhai Dali Ritao Metal	Non-ferrous scrap metals	—	2.7	10.7
Hong Kong				
Oceanic International (Holdings) Limited	Non-ferrous scrap metals	—	7.4	—
Top Ocean (Shipping) Ltd	Non-ferrous scrap metals	12.3	0.2	—
Indonesia				
PT. Krakatau Steel	Steel scrap	1.0	5.5	4.3
PT. Gunung Garuda	Steel scrap	—	5.6	—
P.T. Interworld Steel Mills Indonesia	Steel scrap	7.4	2.5	—
Singapore				
Lian Bee Metal Pte Ltd	Steel products	5.8	3.9	1.5
Natferrous Pte Ltd	Steel scrap	5.1	2.0	1.1

In general, the volume of our sales to any customer is largely dependent on the ability of the customer to offer the highest price for our recycled scrap metals and steel products. The increase or decrease in our sales to a customer also depends on whether there is a demand for the particular scrap metal or steel product, and whether the customer has alternative sources of supplies.

Our sales to Top Ocean (Shipping) Ltd, a metal trader, declined in FY2003 and our sales to Top Ocean (Shipping) Ltd and Oceanic International (Holdings) Limited ceased in FY2004 as we sold directly to purchasers in the PRC. We started supplying scrap metals to Nanhai Dali Ritao Metal in FY2003 and our supplies to them increased in FY2004 as they were able to offer us higher prices for our recycled metals. Our sales to P.T. Interworld Steel Mills Indonesia declined in FY2003 and our sales to P.T. Interworld Steel Mills Indonesia and PT. Gunung Garuda ceased in FY2004 due to increased competition. Save as disclosed above, none of our other customers accounted for 5% or more of our total revenue for the last three financial years. None of our Directors or Substantial Shareholders is related or has any interest, direct or indirect, in any of the above customers.

Our customers from the recycling segment are mainly steel mills, foundries, metal fabricators and metal brokers. Our customers from the trading segment are mainly trading houses, construction companies and engineering companies.

GENERAL INFORMATION ON OUR GROUP

MAJOR SUPPLIERS

The following table sets forth our suppliers in Singapore accounting for 5% or more of our Group's total purchases for the last three financial years:

Suppliers	Products purchased by us	As a percentage of total purchases		
		FY2002	FY2003	FY2004
Burwill Trading Pte Ltd	Steel products	10.9	8.2	3.7
Donald McArthy Trading Pte Ltd	Non-ferrous scrap metals	8.3	8.9	0.1
LuLee Metal International Pte Ltd ⁽¹⁾	Non-ferrous scrap metals	—	1.5	13.0

Note:

(1) LuLee Metal International Pte Ltd was liquidated in June 2004.

We have a supplier base of over 400 suppliers, from whom we purchase recycled scrap metals and steel products. Our suppliers of ferrous scrap metals are mainly manufacturers who generate steel and metal scrap, scrap dealers, demolition firms, individual collectors of scrap metals, construction companies, engineering companies, multinational companies, shipyards and government bodies such as the Singapore Housing Development Board. Our suppliers of non-ferrous scrap metals are (i) heavy industries and scrap dealers which generate or sell waste copper, aluminium, stainless steel, brass and other metals; (ii) individual collectors of scrap metals and (iii) producers of electricity, telecommunication service providers, and metals recycling companies that deal with non-ferrous scrap metals and primary-based metals such as copper and aluminium.

As there is no product differentiation and due to our large supplier base, we are not dependent on any particular supplier. Save as disclosed above, none of our suppliers accounted for 5% or more of our total purchases for any of the last three financial years.

None of our Directors or Substantial Shareholders is related or has any interest, direct or indirect, in any of the above suppliers.

LICENCES AND APPROVALS

All our factories and scrap yards have all the necessary licences and approvals for their operations. Licences and approvals held by our Group are described below:

YLS Steel

- (a) general waste collector (Class A) licence (No.: C-95-288C-000) issued on 11 July 2005 under the Environmental Public Health Act (Chapter 95 of Singapore), the Environmental Public Health (Toxic Industrial Waste) Regulations and the Environmental Public Health (General Waste Collection) Regulations. The licence is valid for 12 months and expires on 31 July 2006;
- (b) certificate of registration of factory (No.: F34336E-001) in respect of YLS Steel's factory at 30 Tuas South Avenue 8 Singapore 637653 issued on 18 September 2004 under the Factories Act (Chapter 104 of Singapore). The certificate is valid for a period of 12 months and expires on 30 September 2005;
- (c) certificate of registration of factory (No.: F37397A-001) in respect of YLS Steel's factory at 4 Pioneer Sector 1 Singapore 628416 issued on 27 December 2004 under the Factories Act. The certificate is valid for a period of 12 months and expires on 31 December 2005;

GENERAL INFORMATION ON OUR GROUP

- (d) certificate of registration of factory (No.: F38528E-001) in respect of YLS Steel's factory at 1 Wan Shih Road Lot A12793 Singapore 627900 issued on 14 December 2004 under the Factories Act. The certificate is valid for a period of 12 months and expires on 31 December 2005;
- (e) annual written permission to dispose of asbestos wastes at Semakau Landfill issued on 20 September 2004, commencing on 1 October 2004 and expiring on 30 September 2005;
- (f) second hand dealer's licence issued on 7 December 2004 under the Second-Hand Dealers Act (Chapter 288 of Singapore) in the name of Mr Ang Yew Lai to transact business at 4 Pioneer Sector 1 Singapore 628416 and expiring on 31 December 2005;
- (g) second hand dealer's licence issued on 7 December 2004 under the Second-Hand Dealers Act in the name of Mr Ang Yew Lai to transact business at 30 Tuas South Avenue 8 Singapore 637653 and expiring on 31 December 2005; and
- (h) second hand dealer's licence issued on 6 January 2005 under the Second-Hand Dealers Act in the name of Mr Ang Yew Lai to transact business at 1 Wan Shih Road Lot A12793 Singapore 627900 and expiring on 31 December 2005.

Union Steel

- (a) toxic industrial waste collector licence (No.: C-99-159B-000) issued on 8 October 2004 under the Environmental Public Health Act, the Environmental Public Health (Toxic Industrial Waste) Regulations and the Environmental Public Health (General Waste Collection) Regulations. The licence is valid for a period of 12 months and expires on 31 October 2005;
- (b) certificate of registration of factory (No.: F26319B-001) in respect of Union Steel's factory at 76 Joo Koon Circle Singapore 629096 issued on 23 September 2004 under the Factories Act. The certificate is valid for a period of 12 months and expires on 31 October 2005;
- (c) certificate of registration of factory (No.: F42976N-001) in respect of Union Steel's factory at 31 Pioneer Road North Singapore 628472 and 33 Pioneer Road North Singapore 628474 issued under the Factories Act. The certificate is valid for a period of 12 months and expires on 31 May 2006;
- (d) second hand dealer's licence issued on 6 January 2005 under the Second-Hand Dealers Act in the name of Mr Ang Yew Lai to transact business at 76 Joo Koon Circle Singapore 629096 and expiring on 31 December 2005; and
- (e) second hand dealer's licence issued on 26 January 2005 under the Second-Hand Dealers Act in the name of Mr Ang Yew Lai to transact business at 33 Pioneer Road North Singapore 628474 and expiring on 31 December 2005.

Yew Lee Seng Metal

- (a) general waste collector (Class A) licence (No.: S-98-165K-000) issued on 22 October 2004 under the Environmental Public Health Act, the Environmental Public Health (Toxic Industrial Waste) Regulations and the Environmental Public Health (General Waste Collection) Regulations. The licence is valid for a period of 12 months and expires on 31 October 2005;
- (b) certificate of registration of factory (No.: F28014N-001) in respect of Yew Lee Seng Metal's factory at 14 Defu Lane 11 Singapore 539170 issued on 23 September 2004 under the Factories Act. The certificate is valid for a period of 12 months and expires on 31 October 2005;

GENERAL INFORMATION ON OUR GROUP

- (c) certificate of registration of factory (No.: B62383A-004) in respect of Yew Lee Seng Metal's factory at Jalan Samulun Singapore 629120 issued on 3 September 2004 under the Factories Act. The certificate is valid for a period of 12 months and expires on 31 August 2005;
- (d) second hand dealer's licence issued on 7 December 2004 under the Second-Hand Dealers Act in the name of Mr Ang Yew Chye to transact business at 14 Defu Lane 11 Singapore 539170 and expiring on 31 December 2005; and
- (e) permit to carry out structural works issued on 19 August 2004 under the Building Control Act (Chapter 29 of Singapore) in the name of Yew Lee Seng Metal to commence and carry out structural work at Jalan Samulun Singapore 629120.

In August 2004, Yew Lee Seng Metal commenced the construction of a yard-cum-factory at Jalan Samulun Singapore 629120, a piece of land currently leased by YLS Steel from JTC Corporation. Yew Lee Seng Metal has obtained the necessary approval for the undertaking of this construction project, the description of which may be found above. The construction of the above yard-cum-factory is intended to be a one-off project and there are currently no plans to carry out other construction projects, whether for our Group or otherwise. Further details may be found in the section entitled "Properties".

A summary of the relevant laws and regulations that are applicable to our business and a description of our licences are set out in "Appendix I – Government Regulations".

GENERAL INFORMATION ON OUR GROUP

PROPERTIES

We currently own the following properties:

Location	Use	Tenure	Approximate land area (sq m)	Approximate net book value as at 31 December 2004
76 Joo Koon Circle Singapore 629096	Warehouse Partially sub-leased to third parties	Lease of 30 years ending 30 September 2010	4,920	S\$969,788
4 Pioneer Sector 1 Singapore 628416	Warehouse Partially sub-leased to third parties	Lease of 30 years ending 31 May 2011	11,270	S\$1,576,543
30 Tuas South Avenue 8 Singapore 637653	Factory Partially sub-leased to third parties	Lease of 30 years ending 31 August 2028 ⁽¹⁾	8,300	S\$3,597,473
8 Tuas View Square Singapore 637574	Leased to third parties	Lease of 60 years ending 29 October 2056	4,500	S\$5,505,571
119 Neythal Road Singapore 628605	Leased to third parties	Lease of 60 years ending 30 June 2039	13,220	S\$1,980,385
31 Pioneer Road North Singapore 628472 and 33 Pioneer Road North Singapore 628474	Office premises, factory and warehouse	Lease of 30 years ending 30 April 2023 ⁽²⁾	7,739	S\$2,985,871
14 Gul Road Singapore 629344	Yard	Lease of 30 years ending 15 January 2010 ⁽³⁾	21,089	—

We currently rent the following properties:

Location	Use	Tenure	Approximate land area (sq m)	Approximate monthly rental	Lessor
1 Wan Shih Road Lot A12793 Singapore 627900	Yard	Lease renewable on a monthly basis starting from 1 January 2005 ⁽⁴⁾	13,000	S\$17,830	JTC Corporation
14 Defu Lane 11 Singapore 539170	Yard	1 December 2004 to 30 November 2007	4,750	S\$18,530	Housing Development Board
Jalan Terusan Singapore 619295	Storage of machinery, collection bins and containers Partially sub-leased to third parties	1 August 2003 to 31 December 2005	16,470	S\$31,300	EM Services Pte Ltd

GENERAL INFORMATION ON OUR GROUP

Location	Use	Tenure	Approximate land area (sq m)	Approximate monthly rental	Lessor
Jalan Samulun Singapore 629120	Yard-cum-Factory ⁽⁵⁾	Lease of 26 years ending 15 April 2030 ⁽⁶⁾	9,590	S\$12,380	JTC Corporation

Note:

- (1) Lease term of 30 years ending 31 August 2028 with an option of a further 30 years subject to terms of the option.
- (2) Lease term of 30 years ending 30 April 2023 granted by the JTC Corporation to our Group encompasses both 31 Pioneer Road North Singapore 628472 and 33 Pioneer Road North Singapore 628474, with an option of a further 30 years subject to terms of the option. However, our principal office is located at 33 Pioneer Road North Singapore 628474.
- (3) Lease term of 30 years ending 15 January 2010 with an option of a further 30 years subject to terms of the option. We acquired 14 Gul Road Singapore 629344 after 31 December 2004.
- (4) We have submitted an application to JTC Corporation to terminate the lease which we expect will be terminated by the third quarter of 2005.
- (5) We are currently constructing a yard-cum-factory at Jalan Samulun Singapore 629120, which we expect to be completed by the end of 2005. As at HY2005, we have spent S\$942,573 on this project.
- (6) Pursuant to the letter of offer dated 14 February 2004 by JTC Corporation, the lease of the property at Jalan Samulun is (a) subject to a fixed investment on the property exceeding S\$5,595,221 within three years of 16 April 2004, (b) at least 60% of the total land area being developed within three years of 16 April 2004 and (c) compliance with all the other terms and conditions of this letter of offer.

INSURANCE

Our Group maintains insurance policies to cover losses which may be suffered on our premises, machinery and employees. The insurance policies taken up by our Group include a policy covering risks arising from fires affecting our Group's properties, machinery and equipment and covering fire and theft of our inventories of ferrous, non-ferrous and steel products. We also have motor vehicle insurance, insurance for public liability claims, workmen compensation insurance, marine insurance and money-in-transit insurance. These insurance policies are reviewed annually.

We believe the coverage from these insurance policies is adequate. However, significant damage to our operations or any of our properties may still have a material adverse impact on our results of operations or financial condition. We are currently not insured against loss of key personnel and product liability.

COMPETITION

The markets for scrap metals are highly competitive and we compete for both the purchase of scrap metals and the sale of recycled scrap metals and steel products.

We principally compete with metal recycling companies and scrap metals companies engaged in collecting and reselling of scrap metals for the purchase of scrap metals. Our ability to purchase scrap metals is determined primarily by the price of the scrap metals and the proximity of our processing facility to the supplier of the scrap metals.

We compete globally for the sale of our recycled scrap metals and locally for steel products. We face potential competition from domestic and regional metal recycling companies and steel traders. Competition for sales is based primarily on the price, including shipping costs, quality of the recycled metals, as well as the quality of service provided in terms of reliability and timing of delivery.

We believe that our ability to process substantial volumes, deliver a broad range of recycled scrap metals and steel products to our customers, and collect and sell scrap metals in domestic and regional markets offers us a competitive advantage. We also believe that our professional management team, our quality of recycled scrap metals and our emphasis on customer service have enabled us to compete favourably in the markets that we sell to.

GENERAL INFORMATION ON OUR GROUP

COMPETITIVE STRENGTHS

Our Directors believe that our competitive strengths are as follows:

- **Our experienced management team and our dedication to operational excellence**

Our Executive Directors, each having more than 20 years of experience in our industry, have contributed to our growth over the years. Together with our Executive Officers, we have various personnel with extensive experience to draw on. We are dedicated to providing quality products to our customers at competitive prices.

- **Our wide range of processed metals provides our customers with a one-stop supply centre for their recycled metals needs and services**

We are able to provide our customers with a one-stop supply centre for both ferrous and non-ferrous recycled metals. Our Directors believe that we are one of the few companies in Singapore providing fully integrated recycling services for both ferrous and non-ferrous scrap metals (starting from our own collection of scrap metals, including the provision of logistics for this purpose, to the final recycling of these ferrous and non-ferrous scrap metals). The end-users of our recycled metals include steel mills, foundries, metal fabricators and metal brokers.

- **Our vertically-integrated business**

We have historically sought to capture the potential benefits of business integration wherever possible. Beginning with the sourcing of raw materials, our waste collection and management, demolition works and car scrapping services have the capability to provide us with a regular supply of scrap metals at a competitive cost for our recycling business. We believe we have a competitive advantage over our competitors as a result of our vertical integration.

- **Our large customer base**

We serve a wide customer base of over 500 customers, comprising trading houses, smelting factories, steel mills, metals recycling companies and metal fabricators, which have purchased our products from us in the last three financial years. We have customers in countries such as the PRC, India, Indonesia, Japan, Malaysia and Singapore. We believe that our large customer base helps insulate us from any downturn in any particular country.

- **Our commitment to providing quality products to our customers**

We are committed to providing quality products which meet our customers' requirements. YLS Steel and Union Steel has each obtained ISO9001:2000 certification in August 2003. This certification certifies that our operations are carried out in accordance with international quality standards and allows us to compete more effectively in the domestic and international scrap metals market.

- **Our strong sales and marketing team**

Our strong sales and marketing team headed by our Executive Directors currently comprises 21 sales and marketing personnel. Our sales and marketing team has successfully established a strong sales network that includes sales into the PRC, India, Indonesia, Japan, Malaysia, Hong Kong, Taiwan, Thailand and Myanmar.

FINANCIAL REVIEW

SELECTED GROUP FINANCIAL INFORMATION

The following selected group financial information should be read in conjunction with the full text of this Prospectus including the “Independent Auditors’ Report and Unaudited Pro Forma Group Financial Information for FY2002, FY2003 and FY2004” and the “Report from the Independent Auditors in relation to the Unaudited Interim Financial Information for the six months ended 31 December 2004” as set out in Appendix IV and Appendix V of this Prospectus, respectively.

Operating Results of Our Group⁽¹⁾

S\$'000	← Unaudited Pro forma →				
	FY2002	FY2003	FY2004	6 months ended 31 December 2003	6 months ended 31 December 2004
Revenue	58,782	86,327	112,069	47,973	58,627
Cost of sales	(50,238)	(72,581)	(92,340)	(41,385)	(47,861)
Gross profit	8,544	13,746	19,729	6,588	10,766
Other operating income	1,153	993	1,895	835	1,066
Distribution costs	(3,320)	(3,673)	(4,208)	(2,078)	(2,645)
Administrative expenses	(4,097)	(4,249)	(4,331)	(1,950)	(2,310)
Other operating expenses	–	(326)	(691)	(570)	(182)
Profit from operations	2,280	6,491	12,394	2,825	6,695
Finance cost	(563)	(523)	(460)	(213)	(209)
Profit before taxation	1,717	5,968	11,934	2,612	6,486
Taxation	(339)	(1,375)	(2,427)	(534)	(1,297)
Net profit for the financial year ⁽²⁾	1,378	4,593	9,507	2,078	5,189
Earnings per share (cents) ⁽³⁾	0.51	1.69	3.49	0.76	1.91

Note:

- (1) The results of our Group for the period under review have been prepared on the basis that our Group had been in existence since 1 July 2001 and throughout the period under review.
- (2) Had the proposed Service Agreements been in force at the beginning of FY2004, the estimated total remuneration for Messrs Ang Yu Seng, Ang Yew Lai and Ang Yew Chye and the profit after taxation for FY2004 would have been S\$1.9 million and S\$8.7 million, respectively. Please refer to the section entitled “Service Agreements” for a description of the Service Agreements.
- (3) For comparative purposes, the EPS for the period under review is computed by dividing the net profit for the financial year by the pre-Invitation share capital of 272,105,250 Shares.

FINANCIAL REVIEW

Financial Position of Our Group⁽¹⁾

S\$'000	Unaudited Pro forma As at 30 June 2004	Unaudited Pro forma As at 31 December 2004
Non-current assets		
Property, plant and equipment	17,675	23,402
Current assets		
Stocks	12,233	9,134
Trade debtors	8,725	10,994
Other debtors and prepayments	680	761
Cash and bank balances	7,051	3,267
	28,689	24,156
Current liabilities		
Bills payable, bank overdrafts and loans	9,508	11,278
Obligations under hire purchase contracts	950	825
Trade creditors	4,310	4,744
Other creditors	478	550
Provision for taxation	4,098	3,568
	19,344	20,965
Net current assets	9,345	3,191
Non-current liabilities		
Bank loans	2,980	4,588
Obligations under hire purchase contracts	512	288
Deferred taxation	202	202
	3,694	5,078
Net assets	23,326	21,515
Represented by:		
Pro Forma Shareholders' equity	23,326	21,515
NTA per Share (cents) ⁽²⁾	8.57	7.91

Note:

- (1) The financial position of our Group as at 30 June 2004 and 31 December 2004 has been prepared on the basis that our Group had been in existence since 1 July 2001.
- (2) The NTA per Share is computed based on the NTA of our Group as at 30 June 2004 and 31 December 2004 and the pre-Invitation share capital of 272,105,250 Shares.

FINANCIAL REVIEW

ANALYSIS OF REVENUE AND PROFITS

The following information should be read in conjunction with the “Independent Auditors’ Report and Unaudited Pro Forma Group Financial Information for FY2002, FY2003 and FY2004” and the “Report from the Independent Auditors in relation to the Unaudited Interim Financial Information for the six months ended 31 December 2004” and the related notes as set out in Appendix IV and Appendix V of this Prospectus, respectively.

OVERVIEW

Revenue

We have experienced significant growth in our revenue in the past three financial years and the six months ended 31 December 2004. In the three-year period from FY2002 to FY2004 and the six months ended 31 December 2004, our revenue increased by S\$53.3 million or 90.6% from S\$58.8 million in FY2002 to S\$112.1 million in FY2004. This increase in our revenue was primarily due to the significant growth in both our recycling and trading segments. Revenue in both segments increased due mainly to the increase in metal prices and an increase in the demand for ferrous and non-ferrous scrap metals as well as steel products in Singapore and our export markets.

In FY2004, revenue from our recycling, trading and provision of other services segments comprised 86.5%, 11.6% and 1.9% of our revenue, respectively. For the six months ended 31 December 2004, revenue from the aforesaid segments comprised 84.6%, 13.0% and 2.4% of our revenue, respectively.

We derive revenue from our recycling segment principally from the collection, processing and packing of ferrous and non-ferrous scrap metals, and supplying the recycled scrap metals to our customers, which include steel mills, foundries, metal fabricators and metal brokers.

We derive trading revenue by offering a wide range of steel products which includes steel plates, reinforcement steel bars, H-beams, I-beams, pipes and sheet piles to our customers, who are mainly trading houses, construction companies and engineering companies.

We derive revenue from the provision of other services such as waste collection and management, demolition works, rental of steel plates and car scrapping services. Our principal customers for waste collection and management, demolition works and rental of steel plates are construction companies. Our principal customers for car scrapping services are walk-in car dealers and individual car owners.

We have a geographically diversified customer base. In FY2004, 35.5%, 26.6%, 13.8% and 8.6% of our revenue were derived from customers based in the PRC, Singapore, India and Indonesia, respectively. For the six months ended 31 December 2004, revenue from customers based in the aforesaid countries comprised 10.4%, 22.9%, 18.2% and 24.7% of our revenue, respectively.

Revenue Recognition

We recognise revenue from the sale of our recycled scrap metals and steel products when the significant risks and rewards of ownership have been transferred to our customers.

We recognise revenue from the provision of other services when the services are rendered to our customers.

Factors affecting our Revenue

Our revenue is dependent on the selling prices of our products and our sales volume. Our selling prices are primarily affected by metal prices, competition and foreign exchange rates. Our sales volume correlates to the demand for our products, which principally depends on metal prices and general economic development, both domestically and internationally.

FINANCIAL REVIEW

A description of the main factors affecting our revenues is as follows:

(a) General economic conditions, both domestically and internationally

The scrap metals recycling industry tends to reflect and be amplified by both domestic and international economic conditions, which have significant impact on the supply of scrap metals as well as the demand for recycled scrap metals and steel products.

A significant part of our supply of scrap metals arises as a by-product of manufacturing processes and from the replacement of plant, equipment and infrastructure. Our supply of scrap metals is therefore dependent on the level of industrial activity. Generally, our sales volume will increase if the level of industrial activity and demand for scrap metals were to increase.

The level of industrial activity also has an impact on market demand for metals. During periods of economic growth, demand for steel and non-ferrous metals such as copper and aluminium typically increase due to increased usage by the end-users of our recycled metals and steel products. Economic growth in domestic and international economies or decisions by governments that have a favourable impact on the level and pace of overall economic activities may generate demand for our products and result in an increase of our revenue.

(b) Metal prices

The prices of scrap metals and steel products are affected by metal prices. Metals are traded as a commodity, hence metal prices can be volatile and beyond our control. Our level of revenue will be affected by the metal prices at the time when we make the sales. In times of rising metal prices, we may record higher revenue, and *vice versa*. When the prices of metals are volatile, we may sell our products on a forward basis to try to take advantage of the price fluctuation to improve our profitability.

(c) Competition

We operate in a competitive industry in which the barriers to entry are relatively low and where financial strength, lower cost structure and greater operational capacity are competitive advantages. In the event that we are unable to compete successfully against our competitors, our revenue may be adversely affected. Additionally, if competition intensifies and our competitors adopt aggressive pricing strategies in order to gain market share, metal prices, and hence our revenue, may fall.

(d) Foreign Currency Exchange

A significant portion of our revenue is denominated in US Dollars. In FY2004 and the six months ended 31 December 2004, 71.9% and 75.3% of our revenue were denominated in US Dollars. Our purchases are generally denominated in US Dollars and Singapore Dollars while our operating expenses are generally denominated in Singapore Dollars as our operations are based in Singapore. Therefore, the fluctuations in the US Dollar against the Singapore Dollar will affect the level of our revenue. For example, the depreciation of the US Dollar against the Singapore Dollar will result in a lower revenue being reported upon conversion of the US Dollar denominated revenue to Singapore Dollars.

Cost of Sales

In FY2004, cost of sales relating to our recycling segment, our trading segment and provision of other services segment accounted for 87.0%, 11.3% and 1.7% of our total cost of sales, respectively. For the six months ended 31 December 2004, cost of sales relating to the aforesaid segments accounted for 84.0%, 13.3% and 2.7% of our total cost of sales, respectively.

Cost of sales relating to our recycling segment consists principally of costs of ferrous and non-ferrous scrap metals, direct labour costs, depreciation expenses, maintenance costs for workshops, worksites, and plant and machinery, factory rental expenses, demolition expenses, fuel costs and other direct overhead costs.

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Cost of sales relating to our trading segment comprises costs of steel products, direct labour, depreciation expenses, factory rental expenses, fuel costs and upkeep of vehicles, cranes and trucks.

Costs of ferrous and non-ferrous scrap metals and costs of steel products typically account for more than 85% of the cost of sales relating to our recycling business and our trading business, respectively. Prices of our scrap metals supplies and steel products are affected by metal prices. As metals are traded as a commodity, metal prices can be volatile due to factors beyond our control, such as general economic conditions, market demand for metals, availability of metal supplies, import duties and foreign currency exchange rates. Costs of our scrap metals and steel products have been volatile for the last three financial years and the six months ended 31 December 2004. The average price for our ferrous scrap metals ranged from a low of S\$128 per metric tonne in July 2001 to a high of S\$411 per metric tonne in March 2004. When the international price of ferrous metal is stable, our purchase price of our ferrous scrap metal will be in trend with international prices. When the prices are volatile and we anticipate that ferrous prices are on an upward trend, we may increase our purchases and accumulate additional inventory. The average purchase price for our non-ferrous scrap metals ranged from a low of S\$924 per metric tonne in February 2002 to a high of S\$2,405 per metric tonne in March 2004. The average purchase price for our steel products ranged from a low of S\$308 per metric tonne in October 2001 to a high of S\$959 per metric tonne in September 2004.

Cost of sales relating to the provision of other services consists principally of direct labour costs, depreciation expenses, fuel costs, rental of machinery costs, professional engineers' fees, fees for disposal of waste and other direct overhead costs.

Other Operating Income

Our other operating income was S\$1.2 million, S\$1.0 million, S\$1.9 million and S\$1.1 million in FY2002, FY2003, FY2004 and the six months ended 31 December 2004, respectively. Other operating income includes rental income, gains on disposal of plant and equipment, sundry income and foreign exchange gain.

Operating Expenses

Our operating expenses comprise distribution costs, administrative expenses and other operating expenses.

Distribution costs, constituting 5.6%, 4.3%, 3.8% and 4.5% of our revenue in FY2002, FY2003, FY2004 and the six months ended 31 December 2004, respectively, comprised mainly freight and handling charges, carriage inward and outward, marine insurance and packing expenses.

Administrative expenses, constituting 7.0%, 4.9%, 3.9% and 3.9% of our revenue in FY2002, FY2003, FY2004 and the six months ended 31 December 2004, respectively, comprised mainly our Directors' remuneration and fees, depreciation of property, plant and equipment, rental expenses, staff costs, transportation, bank charges, entertainment, utilities, property tax, maintenance of office and equipment and insurance.

Other operating expenses, constituting 0%, 0.4%, 0.6% and 0.3% of our revenue in FY2002, FY2003, FY2004 and the six months ended 31 December 2004, respectively, comprised mainly loss on trading on commodities, provision for doubtful debts, foreign exchange loss, bad debts written off and loss on disposal of plant and equipment.

Finance Cost

Finance cost consists mainly of interest expenses on short-term and long-term credit facilities from financial institutions and our hire purchase obligations. We incurred finance costs of S\$0.6 million in FY2002, S\$0.5 million in each of FY2003 and FY2004 and S\$0.2 million for the six months ended 31 December 2004. Please refer to section entitled "Financial Review - Borrowings and Gearing" for a description of our credit facilities.

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Taxation

The Singapore corporate tax rate for companies operating in Singapore was 22.0% for FY2002 and FY2003, 20.0% for FY2004 and the six months ended 31 December 2004. Our overall effective tax rate was approximately 19.7%, 23.0%, 20.3% and 20.0% for FY2002, FY2003, FY2004 and the six months ended 31 December 2004, respectively. Our lower effective tax rate for FY2002 was due mainly to tax savings on utilisation of unabsorbed tax losses brought forward. Our higher effective tax rates for FY2003 and FY2004 were due mainly to certain non-deductible expenses such as depreciation on non-qualifying properties, plant and equipment.

Seasonality

We have not experienced any significant observable seasonality in our sales of recycled scrap metals and steel products or in the provision of our other services.

SEGMENTAL BREAKDOWN OF PAST PERFORMANCE

Breakdown of Past Performance by Activities

The breakdown of our revenue, gross profit, gross profit margin and profit from operations by activities for FY2002, FY2003, FY2004, the six months ended 31 December 2003 and the six months ended 31 December 2004 is set out below:

Revenue

	Unaudited Pro Forma									
	FY2002		FY2003		FY2004		6 months ended 31 December 2003		6 months ended 31 December 2004	
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
Recycling	49,132	83.6	72,311	83.8	96,948	86.5	41,606	86.8	49,581	84.6
Trading	7,719	13.1	11,532	13.3	12,973	11.6	4,904	10.2	7,654	13.0
Others ⁽¹⁾	1,931	3.3	2,484	2.9	2,148	1.9	1,463	3.0	1,392	2.4
Total	58,782	100.0	86,327	100.0	112,069	100.0	47,973	100.0	58,627	100.0

Gross Profit

	Unaudited Pro Forma									
	FY2002		FY2003		FY2004		6 months ended 31 December 2003		6 months ended 31 December 2004	
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
Recycling	7,380	86.4	11,369	82.7	16,585	84.1	5,747	87.2	9,358	86.9
Trading	610	7.1	1,336	9.7	2,548	12.9	604	9.2	1,331	12.4
Others ⁽¹⁾	554	6.5	1,041	7.6	596	3.0	237	3.6	77	0.7
Total	8,544	100.0	13,746	100.0	19,729	100.0	6,588	100.0	10,766	100.0

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Gross Profit Margin (%)

	← Unaudited Pro Forma →				
	FY2002	FY2003	FY2004	6 months ended 31 December 2003	6 months ended 31 December 2004
Recycling	15.0	15.7	17.1	13.8	18.9
Trading	7.9	11.6	19.6	12.3	17.4
Others ⁽¹⁾	28.7	41.9	27.7	16.2	5.5
Total	14.5	15.9	17.6	13.7	18.4

Profit from Operations

	← Unaudited Pro Forma →									
	FY2002		FY2003		FY2004		6 months ended 31 December 2003		6 months ended 31 December 2004	
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
Recycling	1,628	65.7	5,332	74.0	9,894	78.0	2,160	77.2	5,404	82.5
Trading	477	19.3	1,091	15.1	2,443	19.3	529	18.9	1,180	18.0
Others ⁽¹⁾	372	15.0	782	10.9	346	2.7	108	3.9	(31)	(0.5)
	2,477	100.0	7,205	100.0	12,683	100.0	2,797	100.0	6,553	100.0
Other operating income	1,153		993		1,895		835		1,066	
Unallocated costs	(1,350)		(1,707)		(2,184)		(807)		(924)	
Total	2,280		6,491		12,394		2,825		6,695	

Note:

(1) Includes waste collection and management, demolition works, rental of steel plates and car scrapping services.

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Breakdown of Past Performance by Geographical Regions

We segment our geographic sales based on the invoicing addresses of our customers. We deliver our recycled scrap metals and steel products to locations specified by our customers, which could be different from the invoicing addresses. Although it is possible to segment our revenue by geographical regions, the allocation of costs cannot be done in a similar manner with reasonable accuracy. We do not track the allocation of our cost of sales and operating costs by geographical regions and any attempt to match these expenses to sales according to the various geographical regions may not be meaningful. The breakdown of our revenue by geographical regions for FY2002, FY2003, FY2004, the six months ended 31 December 2003 and the six months ended 31 December 2004 is set out below:

	← Unaudited Pro Forma →									
	FY2002		FY2003		FY2004		6 months ended 31 December 2003		6 months ended 31 December 2004	
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%
PRC	21,496	36.6	35,499	41.1	39,760	35.5	22,335	46.6	6,082	10.4
Singapore	15,820	26.9	23,290	27.0	29,820	26.6	10,611	22.1	13,403	22.9
India	8,151	13.9	7,562	8.8	15,491	13.8	7,430	15.5	10,661	18.2
Indonesia	6,202	10.5	13,054	15.1	9,607	8.6	1,403	2.9	14,468	24.7
Japan	1,370	2.3	166	0.2	6,823	6.1	3,196	6.7	2,382	4.1
Malaysia	3,036	5.2	5,117	5.9	2,199	1.9	1,543	3.2	626	1.0
Others ⁽¹⁾	2,707	4.6	1,639	1.9	8,369	7.5	1,455	3.0	11,005	18.7
Total	58,782	100.0	86,327	100.0	112,069	100.0	47,973	100.0	58,627	100.0

Note:

- (1) Includes Belgium, Bangladesh, Sri Lanka, Taiwan, United Kingdom, Hong Kong, Germany, Korea, Nepal, Pakistan, Turkey, Vietnam, Myanmar, Thailand and Cambodia.

Review of Past Performance

FY2003 vs FY2002

Revenue

Our revenue increased by S\$27.5 million or 46.8% from S\$58.8 million in FY2002 to S\$86.3 million in FY2003 due to overall increases in revenue from all our business activities.

Revenue from our recycling business increased by S\$23.2 million from S\$49.1 million in FY2002 to S\$72.3 million in FY2003 due to increased revenue from both non-ferrous and ferrous scrap metals. Revenue from non-ferrous scrap metals increased as a result of (i) higher sales volume due to increased market demand for our non-ferrous scrap metals from the high level of construction activities in the PRC and India and (ii) our higher selling prices in tandem with higher metal prices. Revenue from ferrous scrap metals increased as a result of (i) higher sales volume due to increased sales to customers in Indonesia and (ii) our higher selling prices in tandem with higher steel prices. In addition, we achieved higher revenue with improved sales through increasing the headcounts in our sales and marketing team from five to ten and improved capacity when we acquired a new shearing machine, which was put to use in July 2002.

Revenue from our trading business increased by S\$3.8 million from S\$7.7 million in FY2002 to S\$11.5 million in FY2003. This increase was primarily attributable to our higher selling prices as a result of higher steel prices and higher sales volume as a result of expanded customer base in Singapore from more than 210 customers in FY2002 to more than 240 customers in FY2003. In addition, the increase in headcounts in our sales and marketing team as mentioned above also contributed to higher sales for the year.

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Revenue from our provision of other services segment increased by S\$0.6 million from S\$1.9 million in FY2002 to S\$2.5 million in FY2003 due mainly to higher revenue of S\$0.4 million from our demolition works as a result of more demolition projects being completed and S\$0.2 million from increased rental of steel plates.

Gross Profit

Our gross profit increased by S\$5.2 million or 61.2% from S\$8.5 million in FY2002 to S\$13.7 million in FY2003 due to increased gross profit from all our business segments. Gross profit margin improved from 14.5% in FY2002 to 15.9% in FY2003.

Gross profit from our recycling segment increased by S\$4.0 million from S\$7.4 million in FY2002 to S\$11.4 million in FY2003 due mainly to the increase in recycling revenue. Gross profit margin remained relatively constant at 15.7% in FY2003 as compared to 15.0% in FY2002.

Gross profit from our trading segment increased by S\$0.7 million from S\$0.6 million in FY2002 to S\$1.3 million in FY2003 due mainly to the improved gross profit margin from 7.9% in FY2002 to 11.6% in FY2003. Gross profit margin improved as we were able to time our purchases and sales of steel products to take advantage of the steel price movements.

Gross profit from provision of other services increased by S\$0.4 million from S\$0.6 million in FY2002 to S\$1.0 million in FY2003 due mainly to improved gross profit margin from 28.7% in FY2002 to 41.9% in FY2003. The significant improvement in gross profit margin was primarily attributable to (i) the higher contribution of S\$0.2 million of revenue from the rental of steel plates which yielded a higher margin and (ii) improved operating efficiency in carrying out demolition works.

Other Operating Income

Our other operating income decreased from S\$1.2 million in FY2002 to S\$1.0 million in FY2003 due mainly to the decrease of S\$0.2 million in sundry income, S\$98,000 in foreign exchange gain and S\$116,000 in gain on disposal of plant and equipment, partially off-set by an increase of S\$0.2 million in rental income.

Operating Expenses

Our operating expenses increased by S\$0.8 million or 10.8% from S\$7.4 million in FY2002 to S\$8.2 million in FY2003 due mainly to an increase of S\$0.3 million in distribution costs, S\$0.2 million in administrative expenses and S\$0.3 million in other operating expenses.

Distribution costs increased due mainly to the increases of S\$92,000 in freight and handling charges and S\$0.2 million in carriage inward and outward charges as a result of higher overall volume of recycling and trading businesses. We were able to contain our distribution costs despite the substantial increase in our sales volume due to a higher proportion of sales to Singapore, Indonesia and Malaysia which incurred lower transportation costs.

Administrative expenses increased due mainly to an increase of S\$108,000 in depreciation of properties, plant and equipment and an increase of S\$122,000 in transportation costs.

Other operating expenses increased due mainly to a foreign exchange loss of S\$126,000 as compared to a foreign exchange gain of S\$98,000 in FY2002, provision for doubtful debts of S\$138,000 and bad debts written off of S\$60,000.

Finance Cost

Our finance cost decreased marginally from S\$0.6 million in FY2002 to S\$0.5 million in FY2003.

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Profit before Taxation

Our profit before taxation increased by S\$4.3 million from S\$1.7 million in FY2002 to S\$6.0 million in FY2003 due mainly to a higher gross profit which is partially off-set by a lower other operating income and higher operating expenses.

Taxation

Our taxation increased by S\$1.1 million from S\$0.3 million in FY2002 to S\$1.4 million in FY2003 and our effective tax rate increased from 19.7% in FY2002 to 23.0% in FY2003 due mainly to tax savings on utilisation of unabsorbed tax losses in FY2002.

FY2004 vs FY2003

Revenue

Our revenue increased by S\$25.8 million from S\$86.3 million in FY2003 to S\$112.1 million in FY2004 due mainly to increases in revenue from our recycling segment and trading segment, which were partially off-set by a decline in our provision of other services segment.

Revenue from our recycling segment increased by S\$24.6 million from S\$72.3 million in FY2003 to S\$96.9 million in FY2004 due to increased revenue from both non-ferrous and ferrous scrap metals. Revenue from non-ferrous scrap metals increased as a result of (i) our higher selling prices in tandem with the increasing metal prices and (ii) higher sales volume as the market demand for our non-ferrous scrap metals in Japan, the PRC, India and Sri Lanka increased. In addition, our sales and marketing team managed to secure new customers which increased the geographical portfolio of our customers from nine countries in FY2003 to 14 countries in FY2004. Revenue from ferrous scrap metals increased as a result of our higher selling prices in tandem with increases in steel prices, which partially off-set the decrease in sales volume. Sales volume of ferrous scrap metals declined due to the decrease in the supply of ferrous scrap metals as a result of volatile fluctuations in metal prices in FY2004.

Revenue from our trading business increased by S\$1.5 million from S\$11.5 million in FY2003 to S\$13.0 million in FY2004. The increase was primarily attributable to higher steel prices off-set by a decline in sales volume as a result of slow down in purchases by our customers in Singapore.

Revenue from our provision of other services segment decreased by S\$0.4 million from S\$2.5 million in FY2003 to S\$2.1 million in FY2004 due mainly to lower revenue of S\$0.4 million from waste collection and management and S\$0.3 million from demolition works, partially off-set by an increased revenue of S\$0.3 million from rental of steel plates. Revenue from waste collection and management and demolition works declined as a result of increased competition.

Gross Profit

Our gross profit increased by S\$6.0 million or 43.8% from S\$13.7 million in FY2003 to S\$19.7 million in FY2004 due mainly to increased gross profit from our recycling segment and trading segment, partially off-set by a decline in gross profit from our provision of other services segment. Gross profit margin improved from 15.9% in FY2003 to 17.6% in FY2004.

Gross profit from our recycling segment increased by S\$5.2 million from S\$11.4 million in FY2003 to S\$16.6 million in FY2004 due to an improved gross profit margin of 1.4 percentage points from 15.7% in FY2003 to 17.1% in FY2004. Gross profit margin improved due to the increase in our selling prices of both ferrous and non-ferrous scrap metals, which in turn, were affected by an increase in metal prices.

Gross profit from our trading segment increased by S\$1.2 million from S\$1.3 million in FY2003 to S\$2.5 million in FY2004 due to improved gross profit margin from 11.6% in FY2003 to 19.6% in FY2004. Gross profit margin improved mainly due to the increase in steel prices as well as our ability to time our purchases and sales of steel products to take advantage of the steel price movements.

FINANCIAL REVIEW

Gross profit from our provision of other services segment decreased by S\$0.4 million from S\$1.0 million in FY2003 to S\$0.6 million in FY2004 due mainly to a decrease in gross profit margin from 41.9% in FY2003 to 27.7% in FY2004. The fall in gross profit margin was primarily attributable to higher tender prices as a result of higher competition for demolition projects.

Other Operating Income

Our other operating income increased by S\$0.9 million or 90.0% from S\$1.0 million in FY2003 to S\$1.9 million in FY2004 due mainly to the increases of S\$0.4 million in rental income, S\$0.4 million in profit from disposal of plant and equipment and S\$93,000 in sundry income. Rental income increased due mainly to more premises being rented to third parties during the year. The profit from disposal of plant and equipment was due to the disposal of two material handling equipment as part of our on-going capital equipment renewal.

Operating Expenses

Our operating expenses increased by S\$1.0 million or 12.2% from S\$8.2 million in FY2003 to S\$9.2 million in FY2004 due mainly to an increase of S\$0.5 million in distribution expenses, S\$82,000 in administrative expenses and S\$0.4 million in other operating expenses.

Distribution costs increased due mainly to an increase of S\$0.6 million in freight and handling charges, partially off-set by a decrease of S\$119,000 in carriage inward and outward charges. Freight and handling charges increased due to increased freight and handling rates whereas carriage inward and outward charges decreased due to the decrease in purchase and sales volume of our ferrous scrap metals and steel products.

Administrative expenses increased from S\$4.2 million in FY2003 to S\$4.3 million in FY2004. The increases of S\$0.5 million in land rent and property tax, S\$58,000 in entertainment expenses, S\$146,000 in maintenance of office and equipment, S\$94,000 in bank charges and S\$71,000 in depreciation of properties, plant and equipment were off-set by a decrease of S\$0.8 million in Directors' fees as we did not pay any Directors' fees for FY2004. The increase in land rent and property tax was due mainly to the full year land rent charges of a rented property in FY2004 as compared to two months in FY2003.

Other operating expenses increased due mainly to a one-off loss of S\$0.6 million from trading in metal commodities. This was partially off-set by the decreases in foreign exchange loss of S\$118,000 and provision for doubtful debts of S\$82,000. The commodities trading account has since been closed.

Finance Cost

Our finance cost remained constant at S\$0.5 million in FY2003 and FY2004.

Profit before Taxation

Our profit before taxation increased by S\$5.9 million or 98.3% from S\$6.0 million in FY2003 to S\$11.9 million in FY2004 due mainly to higher gross profit and other operating income, partially off-set by higher operating expenses.

Taxation

Our taxation increased by S\$1.0 million from S\$1.4 million in FY2003 to S\$2.4 million in FY2004 due to higher profit before taxation. Our effective tax decreased from 23.0% in FY2003 to 20.3% in FY2004 due to the decline in corporate tax rate from 22.0% in FY2003 to 20.0% in FY2004.

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Six months ended 31 December 2004 vs six months ended 31 December 2003

Revenue

Our revenue increased by S\$10.6 million or 22.1% from S\$48.0 million for the six months ended 31 December 2003 to S\$58.6 million for the six months ended 31 December 2004 due mainly to increases in revenue from our recycling and trading segments, which were marginally off-set by a slight decline from our provision of other services segments.

Revenue from our recycling segment increased by S\$8.0 million from S\$41.6 million for the six months ended 31 December 2003 to S\$49.6 million for the six months ended 31 December 2004 due to increased revenue from our ferrous and non-ferrous scrap metals. Revenue from our ferrous scrap metals increased as a result of (a) higher selling prices in tandem with the increased market prices for metals and (b) higher sales volume of approximately 4,900 metric tonnes due to stronger demand from our existing customers in Indonesia and Bangladesh. Revenue from our non-ferrous scrap metals increased despite a fall in sales volume of approximately 1,300 metric tonnes due mainly to higher selling prices in tandem with the increased market prices for metals. The fall in sales volume was due to weaker demand from our non-ferrous customers in the PRC as a result of the conscious decision of the PRC government to slow down economic growth in the PRC introduced in 2004. On the other hand, revenue from India, Taiwan, Sri Lanka, Thailand and Cambodia increased. In addition, we penetrated into new markets such as Belgium, Germany, Pakistan, Turkey and the United Kingdom.

Revenue from our trading business increased by S\$2.8 million from S\$4.9 million for the six months ended 31 December 2003 to S\$7.7 million for the six months ended 31 December 2004. The increase was attributable to higher selling prices in tandem with the increased market prices for metals and higher sales volume of approximately 600 metric tonnes.

Revenue from our provision of other services segment declined marginally by S\$0.1 million or 6.7% from S\$1.5 million for the six months ended 31 December 2003 to S\$1.4 million for the six months ended 31 December 2004.

Gross Profit

Our gross profit increased by S\$4.2 million or 63.6% from S\$6.6 million for the six months ended 31 December 2003 to S\$10.8 million for the six months ended 31 December 2004 due mainly to increased gross profit from our recycling and trading segments, partially off-set by a decline in gross profit from our provision of other services segment. Gross profit margin improved from 13.7% for the six months ended 31 December 2003 to 18.4% for the six months ended 31 December 2004.

Gross profit from our recycling segment increased by S\$3.7 million from S\$5.7 million for the six months ended 31 December 2003 to S\$9.4 million for the six months ended 31 December 2004 due to improved gross profit margin from 13.8% for the six months ended 31 December 2003 to 18.9% for the six months ended 31 December 2004. Gross profit margin improved due to the increase in our selling prices of ferrous and non-ferrous scrap metals in tandem with the increase in market prices of metals.

Gross profit from our trading segment increased by S\$0.7 million from S\$0.6 million for the six months ended 31 December 2003 to S\$1.3 million for the six months ended 31 December 2004 due to improved gross profit margin from 12.3% for the six months ended 31 December 2003 to 17.4% for the six months ended 31 December 2004. Gross profit margin improved due to the increase in our selling prices of steel products in tandem with the increase in market prices of metals.

Gross profit from the provision of other services decreased by S\$0.1 million from S\$0.2 million for the six months ended 31 December 2003 to S\$77,000 for the six months ended 31 December 2004 due mainly to a decline in gross profit margin from 16.2% for the six months ended 31 December 2003 to 5.5% for the six months ended 31 December 2004. The decline in gross profit margin was primarily attributable to the higher tender prices as a result of higher competition for demolition projects.

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Other Operating Income

Our other operating income increased by S\$0.3 million or 37.5% from S\$0.8 million for the six months ended 31 December 2003 to S\$1.1 million for the six months ended 31 December 2004 due mainly to increases of S\$0.3 million in rental income and S\$0.1 million in sundry income, partially off-set by a decline of S\$0.1 million in gain from disposal of fixed assets. Rental income increased due mainly to more premises being rented to third parties during the six months ended 31 December 2004.

Operating expenses

Our operating expenses increased by S\$0.5 million or 10.9% from S\$4.6 million for the six months ended 31 December 2003 to S\$5.1 million for the six months ended 31 December 2004 due mainly to increases of S\$0.5 million in distribution expenses and S\$0.3 million in administrative expenses, partially off-set by a decrease of S\$0.4 million in other operating expenses.

Distribution costs increased from S\$2.1 million for the six months ended 31 December 2003 to S\$2.6 million for the six months ended 31 December 2004 due mainly to increases of S\$0.3 million in freight and handling charges and S\$0.2 million in carriage inward and outward charges. Increases in freight and handling charges and carriage inward and outward charges were due mainly to the increased export volume of ferrous scrap metals and increased freight and handling rates.

Administrative expenses increased from S\$2.0 million for the six months ended 31 December 2003 to S\$2.3 million for the six months ended 31 December 2004 due mainly to increases of S\$0.2 million in land rent and property tax. The increase in land rent and property tax was due mainly to the acquisitions of the new premises located at 31 Pioneer Road North Singapore 628472 and 33 Pioneer Road North Singapore 628474, and Jalan Samulun Singapore 629120 during the six months ended 31 December 2004.

Other operating expenses decreased from S\$0.6 million for the six months ended 31 December 2003 to S\$0.2 million for the six months ended 31 December 2004 due mainly to a one-off loss of S\$0.6 million from trading in metal commodities during the six months ended 31 December 2003 which did not recur during the six months ended 31 December 2004. This was partially off-set by increases in foreign exchange loss of S\$0.1 million and provision for doubtful debts of S\$59,000.

Finance Cost

Our finance cost remained constant at S\$0.2 million for the six months ended 31 December 2003 and the six months ended 31 December 2004.

Profit before taxation

Our profit before taxation increased by S\$3.9 million or 150.0% from S\$2.6 million for the six months ended 31 December 2003 to S\$6.5 million for the six months ended 31 December 2004 due to higher gross profit and other operating income, partially off-set by higher operating expenses.

Taxation

Our taxation increased by S\$0.8 million from S\$0.5 million for the six months ended 31 December 2003 to S\$1.3 million for the six months ended 31 December 2004 due to higher profit before taxation. Our effective tax rate remained constant at approximately 20.4% for the six months ended 31 December 2003 and 20.0% for the six months ended 31 December 2004.

LIQUIDITY AND CAPITAL RESOURCES

Our operations have been funded through a combination of cash generated from our operating activities, external borrowings from financial institutions and credit extended by our suppliers. The principal uses of these funds are for working capital requirements, capital expenditure, repayment of borrowings and operating costs.

Based on our operating cash flows and existing credit facilities, our Directors are of the opinion that, as at the Latest Practicable Date, we have sufficient working capital to satisfy our present requirements.

FINANCIAL REVIEW

Group Cash Flows Summary

The following table provides a condensed summary of our unaudited pro forma cash flows for FY2004 and the six months ended 31 December 2004:

S\$'000	← Unaudited Pro Forma → 6 months ended 31 December 2004	FY2004
Cash flows from operating activities:		
Cash flow from operating activities before adjustments for changes in working capital	14,167	7,693
Adjustments for changes in working capital	(7,672)	1,203
Cash generated from operations	6,495	8,896
Income taxes paid	(410)	(1,827)
Interest paid	(460)	(209)
Net cash generated from operating activities	5,625	6,860
Net cash used in investing activities	(3,517)	(7,022)
Net cash from / (used in) financing activities	1,757	(953)
Net increase / (decrease) in cash and cash equivalents	3,865	(1,115)
Cash and cash equivalents at beginning of the financial year	517	4,382
Cash and cash equivalents at end of the financial year	4,382	3,267

Net Cash Generated from Operating Activities

Our operating profit after adjusting for non-cash and non-operating items amounted to S\$14.2 million in FY2004. Cash used from changes in working capital was S\$7.7 million and was primarily due to an increase in stocks, a decrease in other creditors and an increase in other debtors and prepayments of S\$6.7 million, S\$0.7 million and S\$0.6 million, respectively, being partially offset by a decrease in trade debtors and an increase in trade creditors of S\$0.2 million each. The remaining cash outflow was due mainly to payments for interests of S\$0.5 million and income taxes of S\$0.4 million. These resulted in net cash generated from operating activities of S\$5.6 million.

The increase in our stock was due mainly to a slowdown in demand for ferrous and non-ferrous scrap metals in May and June 2004. Please refer to the section entitled "Inventory Management" for more details. Our other creditors decreased due mainly to non-recurrence of directors' fees in FY2004 which amounted to S\$0.8 million in FY2003. Our other debtors and prepayment increased due to increased deposits of S\$0.5 million for the purchase of our property at 31 Pioneer Road North Singapore 628472 and 33 Pioneer Road North Singapore 628474, and a new shearing machine, as well as increased prepayments of S\$0.1 million. The decline in our trade receivables was primarily due to increased sales in Singapore on cash on delivery terms. Please refer to the section entitled "Credit Management" for more details.

For the six months ended 31 December 2004, our operating profit after adjusting for non-cash and non-operating items amounted to S\$7.7 million. Cash from changes in working capital was S\$1.2 million and was primarily due to a decrease of S\$3.1 million in stock and an increase of S\$0.4 million in trade creditors, partially off-set by an increase of S\$2.3 million in trade debtors. The remaining cash outflow was due mainly to payment for interests of S\$0.2 million and income taxes of S\$1.8 million. These resulted in net cash generated from operating activities of S\$6.9 million.

FINANCIAL REVIEW

Our stock decreased due mainly to higher stock turnover. Our trade debtors increased due mainly to a sale of steel scrap on letter of credit terms which amounted to S\$2.4 million to a customer in Indonesia in December 2004. Full payment was received in January 2005.

Net Cash Used in Investing Activities

Our net cash used in investing activities amounted to S\$3.5 million in FY2004, attributable mainly to capital expenditures of S\$2.8 million and repayments of scheduled hire purchase instalments of S\$1.3 million, which were partially off-set by proceeds of S\$0.6 million from the sale of plant and equipment. The capital expenditures of S\$2.8 million were incurred for the acquisitions of leasehold land and buildings at 119 Neythal Road Singapore 628605, material handling equipment and trucks.

For the six months ended 31 December 2004, our net cash used in investing activities amounted to S\$7.0 million, attributable mainly to capital expenditures of S\$6.6 million and repayments of scheduled hire purchase instalments of S\$0.5 million. The capital expenditures were incurred for the acquisitions of leasehold land and buildings at 31 Pioneer Road North Singapore 628472 and 33 Pioneer Road North Singapore 628474, and Jalan Samulun Singapore 629120, and a new shearing machine for our new production facilities at 14 Gul Road Singapore 629344.

Net Cash from / (used in) Financing Activities

Our cash flows provided by financing activities amounted to S\$1.7 million in FY2004, attributable mainly to an increase in trade bills of S\$2.1 million used for working capital purposes and funds from a short-term bank loan of S\$0.9 million used for the acquisition of the leasehold land and buildings at 119 Neythal Road Singapore 628605. The cash inflows were partially offset by payment of dividends of S\$0.8 million to our shareholders and repayment of long-term bank loans of S\$0.5 million.

For the six months ended 31 December 2004, our net cash used in financing activities amounted to S\$1.0 million, attributable mainly to dividends of S\$7.0 million paid to our shareholders and repayment of loans of S\$1.3 million. These cash outflows were partially off-set by an increase of S\$2.6 million in short-term bank loans for partial payments for the purchase of a property at 119 Neythal Road Singapore 628605 and for working capital purposes, an increase of S\$2.5 million in long-term bank loans for the purchase of a property at 31 Pioneer Road North Singapore 628472 and 33 Pioneer Road North Singapore 628474, and an increase of S\$2.2 million in trade bills used for working capital purposes. Please refer to the section entitled "Capitalisation and Indebtedness" for more details.

Borrowings and Gearing

As of 31 December 2004, we had S\$48.7 million of short-term credit facilities comprising overdraft facilities, trade financing facilities and short-term loans, of which S\$38.4 million were undrawn and available. The interest rates for borrowings under these facilities for the six months ended 31 December 2004 ranged between 2.4% and 6.3% per annum. In addition, we had outstanding long-term bank loans and hire purchase obligations totalling S\$5.5 million and S\$1.1 million, respectively, of which S\$0.5 million and S\$0.6 million will be payable before 30 June 2005. The interest rates for borrowings under these facilities for the six months ended 31 December 2004 ranged between 2.4% and 5.9% per annum.

We have been able to service our loan payment commitments on a timely basis in FY2002, FY2003, FY2004 and the six months ended 31 December 2004.

FOREIGN EXCHANGE EXPOSURE

Accounting Treatment of Foreign Currencies

Transactions in foreign currencies are recorded at exchange rates approximating those ruling at transaction dates. Foreign currency monetary assets and liabilities are translated into Singapore Dollars at exchange rates ruling at balance sheet date. All resultant exchange differences are recognised in the income statement.

FINANCIAL REVIEW

Foreign Exchange Exposures

Our export sales are principally denominated in US Dollars and Singapore Dollars while our local sales are principally denominated in Singapore Dollars. Our purchases are generally denominated in US Dollars and Singapore Dollars while our operating expenses are generally denominated in Singapore Dollars. Our foreign currency exposures give rise to market risk associated with exchange rate movements against the Singapore Dollar, our functional and reporting currency.

The percentages of our revenue and total purchases and expenses denominated in foreign currencies are as follows:

	← Unaudited Pro Forma →				
(%)	FY2002	FY2003	FY2004	6 months ended 31 December 2003	6 months ended 31 December 2004
As percentage of our Group's revenue					
Singapore Dollars	39.6	36.0	28.1	29.1	24.7
US Dollars	60.4	64.0	71.9	70.9	75.3
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
As percentage of our Group's total purchases and expenses					
Singapore Dollars	78.6	76.7	71.7	67.7	81.7
US Dollars	21.4	23.3	28.3	32.3	18.3
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

A significant portion of our revenue is denominated in US Dollars. Therefore, we may be exposed to significant foreign exchange risks from the fluctuations of the US Dollar against the Singapore Dollar. In addition, to the extent that our revenue, purchases and operating costs are not naturally matched in the same currency and to the extent that there are timing differences between collection and payments, we will be exposed to any adverse fluctuation of the US Dollar against the Singapore Dollar.

Our net foreign exchange gains and losses for each of the last three financial years and the six months ended 31 December 2004 are as follows:

	← Unaudited Pro Forma →				
	FY2002	FY2003	FY2004	6 months ended 31 December 2003	6 months ended 31 December 2004
Foreign exchange gain/(loss) (S\$'000)	98	(126)	71	61	(123)
As a percentage of profit before tax (%)	5.7	(2.1)	0.6	2.3	(1.9)

Currently, we do not have any formal hedging policy. Notwithstanding this, our Company has in the past used foreign currency forward contracts in managing our foreign exchange risk. Going forward, our Company may, when necessary, utilise appropriate financial instruments to hedge against exposure from foreign currency fluctuations.

PROSPECTS, BUSINESS STRATEGIES AND FUTURE PLANS

PROSPECTS

We are principally engaged in the recycling of ferrous and non-ferrous scrap metals and the trading of steel products which constituted 86.5% and 11.6% of our revenue for FY2004, respectively. As such, the prices of and the market demand for recycled scrap metals and steel products will have a significant impact on the prospects of our Group.

In addition, our ability to provide recycled scrap metals, and consequently our revenue, are constrained by the availability of scrap metals. We intend to minimise this constraint in revenue by expanding our product range and supplies. A description of our plans to expand our product range and supplies is found in the section entitled "Business Strategies and Future Plans".

Metal Prices

Metal prices, linked to prices quoted on the London Metal Exchange, are subject to price fluctuations in the world markets, which are unpredictable and beyond our control. Costs of our scrap metals and steel products have been volatile for the last three financial years and the six months ended 31 December 2004. The average purchase price for our ferrous scrap metals increased from S\$128 per metric tonne in July 2001 a high of S\$411 per metric tonne in March 2004. The average purchase price for our non-ferrous scrap metals increased from a low of S\$924 per metric tonne in February 2002 to a high of S\$2,405 per metric tonne in March 2004. The average purchase price for our steel products increased from S\$308 per metric tonne in October 2001 to S\$959 per metric tonne in September 2004. Our Directors believe that the prices of scrap metals and steel products are likely to remain volatile in 2005.

Demand for Metals

Our Directors believe the demand for metals is likely to increase globally including the Asia-Pacific region as the PRC and other Asian nations continue their economic and infrastructural expansions.

Our Directors believe the overall global demand for ferrous materials and stainless steel is likely to remain strong. In addition, in line with increased demand for metals globally, our Directors expect the demand for copper and aluminium to grow.

In particular, we believe that continued development of infrastructure in the PRC as well as growth in the manufacturing sector, particularly the automotive sector, may lead to increases in demand for copper, aluminium and other non-ferrous metals. Any increase in demand from the PRC may also contribute to increased copper consumption growth in other countries which export copper-related products to the PRC.

Geographical Markets

We have a geographically diversified customer base. In FY2004, 35.5%, 26.6%, 13.8% and 8.6% of our revenue were derived from customers based in the PRC, Singapore, India and Indonesia, respectively. For the six months ended 31 December 2004, 10.4%, 22.9%, 18.2% and 24.7% of our revenue were derived from customers based in the aforesaid countries, respectively. Our Directors expect the demand of recycling and steel products in these markets to continue to have a significant impact on the prospects of our Group.

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

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

PROSPECTS, BUSINESS STRATEGIES AND FUTURE PLANS

TREND INFORMATION OF OUR GROUP

As at 30 April 2005, our order book contained orders of approximately S\$14.5 million for our scrap metals recycling business. Most of the orders are scheduled for delivery within the next one to two months. Contractually, these orders are non-cancellable. However, due to the nature of our business where our sales are generally based on a month to month basis, and because of the possibility of customer changes in delivery schedules, non-performance of contracts by our customers, and potential delays in delivery, our order book as of any particular date may not be indicative of revenues for any succeeding period.

For FY2005, our Directors observed the following trends:

- (i) Our Directors expect our revenue in FY2005 to be relatively similar compared to FY2004. This is primarily a result of our Company maintaining our sales margins in light of higher direct costs.
- (ii) As a result of the increase in the international prices of fuel in 2005, our Directors expect expenses on fuel, gas and diesel for our Group to be higher in FY2005 as compared to FY2004. As a result of the increase in oil prices, our Directors expect distribution costs (primarily carriage and freight charges) and our direct costs (primarily fuel costs) to be higher in FY2005 as compared to FY2004.

Given the above and barring any unforeseen circumstances, our Directors believe that, for FY2005, our Group will remain profitable but the level of profitability in FY2005 will likely be lower as compared to FY2004.

Save as disclosed above and as disclosed in the section entitled “Risk Factors”, our Directors are not aware of any other known recent trends, uncertainties, demands, commitments or events that are reasonably likely to have material effect on our net sales or revenue, profitability, liquidity or capital resources.

BUSINESS STRATEGIES AND FUTURE PLANS

Our business strategies emphasise the continued consolidation of our position as a market leader in the scrap metals recycling business while exploring growth opportunities in both our existing and new businesses to increase and/or diversify our income streams. To achieve these objectives, we have developed the following growth strategies:

Expand our sources of supply of scrap metals

We have focused on and will continue to emphasise increasing our sources of scrap metals. We believe that venturing into new supply markets will reduce our dependency on any particular country for our supplies. Historically, we have obtained scrap metals both locally and overseas. To increase our sources of supply, we plan to seek new sources of scrap metals, particularly non-ferrous metals, from countries in the Middle East and Asia. We believe that this strategy will allow us to fulfill larger quantity orders due to increased ability to secure larger amounts of scrap metals.

Increase our product range

We believe that our profitability may be enhanced by offering a broad product line to our customers. For our trading business, we principally trade in steel products with a small amount of secondary steel and electronic wastes. We believe that increasing our volume of secondary steel and electronic wastes will provide us with additional income streams.

Diversify into metal-related businesses

We intend to seek expansion opportunities within both our existing and potential markets. In making any acquisitions, we intend to focus on major markets where scrap metals are readily available and from where we believe we can better serve our customers.

PROSPECTS, BUSINESS STRATEGIES AND FUTURE PLANS

We are considering forming joint ventures with strategic partners with the necessary technical experiences and overseas marketing capabilities to enable us to take advantage of this significant market demand for steel. In view of this business strategy, we entered into a non-binding memorandum of understanding with Dongyuan Xiangyang Metal Products Co. Ltd. on 16 September 2004, pursuant to which we have expressed our intention to establish manufacturing operations in the PRC to manufacture stainless steel products. We have expressed our interest to acquire 51% shareholding in this proposed joint venture. The entire investment by both parties is expected to be approximately RMB30 million. The size of the manufacturing facilities would depend on the feasibility studies which we intend to conduct. We believe that the setting up of manufacturing facilities in the PRC will allow us to take advantage of lower production costs and reduce the lead time required for us to reach our customers in the PRC.

In addition, on 1 October 2004, we entered into two non-binding memoranda of understanding with (i) an Indonesian citizen and (ii) PT. Sri Indah Aluminium Extrusion, a company incorporated in Indonesia. Pursuant to the first memorandum of understanding with the Indonesian citizen, we expressed the intention to set up a company incorporated in Indonesia (the "JVC"). Under the second memorandum of understanding, we expressed the intention to purchase from PT. Sri Indah Aluminium Extrusion, through the JVC, certain assets used for aluminium extrusion.

We believe that these proposed joint ventures, if materialised, will not only provide us with additional sources of revenue, but will also provide synergistic value and growth potential to our existing metals recycling business.

Barring any unforeseen circumstances, we intend to start carrying out our expansion plans by the end of 2005. Other than the costs provided in evaluating the feasibility of these expansion plans, we currently have not spent any amounts in connection with the proposed expansion plans. Our expansion plans, if implemented, will be financed from internal funds and bank borrowings.

Continue to capture the potential benefits of business integration

We have historically sought to capture the potential benefits of business integration whenever possible. We believe we enjoy an advantage over our competitors due to our demolitions and car scrapping businesses which provide us with additional sources of scrap metals. We intend to continue this strategy by increasing the scope of our demolitions business, which if successful, should provide us with additional revenues and increase our supply of scrap metals. We believe that through the continued integration of our businesses, we will be able to enhance our competitive position and profitability of the operations because of broader supply channels and increased economies of scale.

Maximise our operating margins by investing in advanced metals recycling equipment and machinery

Our objective is to be a cost efficient supplier of recycled scrap metals in order to maximise our operating margins and remain competitive. To meet this objective, we have focused on and will continue to emphasise cost effective methods of processing scrap metals. We have made and will continue to make significant investments in machinery and equipment to enhance the cost-effectiveness of our operations and to maximise economies of scale. For example, we have two shearing machines with shear cutting force of 1,000 tonnes each. We intend to continue to invest in machinery and equipment which will improve our operational efficiency and capabilities.

DIRECTORS, MANAGEMENT AND STAFF

DIRECTORS

Our Board of Directors is responsible for the overall management of our Group. Our Directors' particulars are listed below:

<u>Name</u>	<u>Age</u>	<u>Address</u>	<u>Principal Occupation</u>
<u>Executive Directors</u>			
Ang Yu Seng	49	63 Saraca Road Seletar Hills Estate Singapore 807400	Chief Executive Officer
Ang Yew Lai	39	35 Dairy Farm Road #08-01 Singapore 679052	Executive Director
Ang Yew Chye	51	32 Lorong Tanggam Singapore 798732	Executive Director
<u>Non-Executive Director</u>			
Chan Kok Poh	56	23A Lengkong Satu Singapore 417494	Certified Public Accountant
<u>Independent Directors</u>			
Chang Yeh Hong	45	14 Mount Elizabeth #19-04 Singapore 228512	Managing Director of Nordic Corporation Pte. Ltd. and its related group of companies
Siau Kai Bing	50	Blk 6 Toh Yi Drive #12-247 Singapore 590006	Chief Financial Officer of Powermatic Data Systems Limited

Information on the areas of responsibility, the business and working experience of our Directors is set out below:

Mr Ang Yu Seng is our Chief Executive Officer and a co-founder of our Group. He is responsible for the overall management and operations of our Group and for charting and reviewing our corporate directions and strategies. Mr Ang has over 25 years of experience in the business of recycling scrap metals. Prior to establishing YLS Steel in 1984, Mr Ang co-owned Yew Lee Seng Hardware Company, which was in the business of collecting and recycling scrap metals. During the growth of the construction industry in the 1980s, Mr Ang expanded Yew Lee Seng Hardware Company to include the sale of steel bars to construction firms. Mr Ang graduated with GCE "A" Levels in 1974.

Mr Ang Yew Lai is our Executive Director. With over 20 years of experience in the business of recycling scrap metals, Mr Ang has been instrumental to the growth of our Group. Mr Ang currently oversees the operations and development of our Group's consumer markets including Singapore, the PRC, Europe, Korea, Japan, Hong Kong, India, Indonesia and other countries in the Southeast Asian region. Mr Ang is also responsible for overseeing the purchase, sale and marketing of our Group's non-ferrous recycled metals and steel products. Mr Ang graduated with a PSLE certificate in 1978.

Mr Ang Yew Chye is our Executive Director and a co-founder of our Group. In addition to overseeing our Group's demolition works, Mr Ang is also responsible for our Group's waste collection and management services, rental of steel plates and scrap metals operations. Prior to joining our Company, he worked as an apprentice at Ang Sin Liu Hardware from 1979 to 1981. Mr Ang graduated with a Primary Four certification in 1963.

DIRECTORS, MANAGEMENT AND STAFF

Mr Chan Kok Poh was appointed to our Board of Directors as a Non-Executive Director on 28 June 2005. From 1976 to 1978, he worked as an audit supervisor with Singapore Bus Service Limited. From 1978 to 1982, Mr Chan was the chief officer of the accounting department of Mitsubishi Singapore Heavy Industries (Pte) Ltd. From 1982 to 1985, Mr Chan worked as an assistant manager at the cost accounting departments of Robin Shipyard (Pte) Ltd and Robin Concrete Products (Pte) Ltd. From 1985 to 1986, he worked as a manager in Penta Wood Private Limited. From 1986 to 1989, Mr Chan worked as an audit supervisor at L.C. Koh & Co. and later at Ong Yew Huat & Co. Pte. Ltd.. In 1989, Mr Chan established Chan Kok Poh & Company, an audit firm providing auditing, taxation, accounting, corporate secretarial and consultancy services. 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 graduated with a Bachelor of Commence (Accountancy) from the Nanyang University of Singapore in 1976 and a Master of Arts (Finance and Accounting) from the Leeds Metropolitan University, United Kingdom in 1996.

Mr Chang Yeh Hong was appointed to our Board of Directors as an Independent Director on 28 June 2005. He was an executive director of Technics Group Holdings Limited, in charge of finance and corporate development. He had over 18 years of experience in banking with Standard Chartered Bank and Citibank, holding local, regional and global positions. Prior to 2002, he was the regional managing director Asia Pacific with Citibank and global head of a product group with Standard Chartered Bank. Mr Chang is currently the managing director of Nordic Corporation Pte. Ltd. and its related group of companies. Mr Chang holds a Bachelor of Arts degree majoring in Economics from the National University of Singapore and has also completed the Business Financial Management Programme with the Manchester Business School, United Kingdom in 1992 and the International Executive Management Programme in INSEAD Fountainebleau, France in 1998. Mr Chang is currently the independent director and chairman of both the audit committee and the remuneration committee of Jackspeed Corporation Limited, and the independent director of System Access Limited.

Mr Siau Kai Bing was appointed to our Board of Directors as an Independent Director on 28 June 2005. From 1978 to 1982, he worked as an audit senior with PricewaterhouseCoopers. From 1982 to 1985, Mr Siau worked as a manager of the finance and administration department of John Deere Industrial (Pte.) Ltd. From 1985 to 1991, he worked as the financial controller of the finance and accounting department of Fiatallis Spare Parts Pte. Ltd. and Hitachi Construction Machinery (Singapore) Pte Ltd. From 1991 to 1999, Mr Siau became the group financial controller of Flagship Corporation Far East Pte Ltd. In 1999, Mr Siau joined Powermatic Data Systems Limited as its chief financial officer and company secretary. Mr Siau is currently serving as an independent director on the board of directors of Advanced Holdings Limited. Mr Siau graduated with a Bachelor of Accountancy from the National University of Singapore in 1978. He is a fellow certified public accountant with the Institute of Certified Public Accountants of Singapore.

The list of present and past directorships (for the last five years) of each Director, other than the Company, is set out in the section entitled “General and Statutory Information” of this Prospectus.

DIRECTORS, MANAGEMENT AND STAFF

MANAGEMENT

<u>Name</u>	<u>Age</u>	<u>Address</u>	<u>Principal Occupation</u>
Tan Leong Chye, Jack	54	Blk 362 Bukit Batok Street 31 #01-439 Singapore 650362	Chief Operating Officer
Lim Chen Wei, Jonathan	31	43 Bedok Road #03-10 Country Park Singapore 469564	Group Financial Controller
Qiu Hong	36	Blk 169 Bukit Batok West Avenue 8 #11-373 Singapore 650169	Sales and Marketing Manager
Edmund Ong Wee Siong	29	Blk 685A Choa Chu Kang Crescent #11-274 Singapore 681685	Business Development Manager
Serene Soh Lay Beng	38	Blk 559 Jurong West Street 42 #08-465 Singapore 640559	Sales and Marketing Manager
Zhang Yu	28	Blk 395 Bukit Batok West Avenue 5 #25-446 Singapore 650395	Sales Manager
Wang Fang	36	Blk 322 Bukit Batok Street 33 #09-06 Singapore 650322	Project Manager

Information on the areas of responsibility, the business and working experience of our Executive Officers and related employees is set out below:

Mr Tan Leong Chye, Jack is our Chief Operating Officer. He joined us in 1997 and is responsible for our Group's car scrapping business. He is also responsible for supervising our day-to-day operations and ensuring the smooth running of the logistics, warehousing and sales aspects of our Group. Mr Tan is also the management representative and internal auditor for our ISO9001:2000 accreditation. From 1970 to 1989, Mr Tan was employed by the Republic of Singapore Air Force as an assistant purchasing officer and later as a warrant officer in charge of purchasing aircraft spares, components and ground support equipment. From 1989 to 1991, Mr Tan joined Ultramare Pty Ltd as a sales executive, where he marketed aircraft spares and ground support equipment. From 1992 to 1997, Mr Tan joined Indeco Engineering Pte Ltd as a purchasing executive where he oversaw the day-to-day running of its purchasing department. Mr Tan graduated with GCE "O" Levels in 1968.

Mr Lim Chen Wei, Jonathan is our Group Financial Controller in charge of the finance functions of our Group. From 1998 to 2000, Mr Lim was a senior associate with PricewaterhouseCoopers. From 2001 to 2002, he became the internal audit supervisor of Kuok Oils and Grains Pte Ltd. From 2002 to 2004, Mr Lim was the finance manager of Digiland International Limited where he managed, amongst other matters, the daily financial operations, the monthly consolidated financial statements and operating performance and the credit risk exposure of Digiland International Limited and its subsidiaries. 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 Bachelor's Degree in Accountancy (Merit) from the Nanyang Technological University in 1998.

Ms Qiu Hong is the Sales and Marketing Manager of our Group and is responsible for the trading of non-ferrous scrap metals and steel products. From 1991 to 1993, Ms Qiu worked as an assistant engineer in Dongfang Steam Turbine Works, Sichuan, PRC. 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.

DIRECTORS, MANAGEMENT AND STAFF

Mr Edmund Ong Wee Siong is our Business Development Manager and is responsible for the overall procurement of non-ferrous scrap metals and electronic waste materials. From 2002 to 2003, Mr Ong worked as a marketing executive with Citiraya Industries Ltd where he was responsible for procuring electronic waste materials for recycling and marketing the recycled products. Mr Ong obtained a Diploma in Business Studies from the Ngee Ann Polytechnic in 1997 and a Bachelor of Business from Royal Melbourne Institute of Technology (RMIT University), Australia in 2001.

Ms Serene Soh Lay Beng is our Sales and Marketing Manager and is responsible for the sales and marketing of our steel products. From 1989 to 1991, Ms Soh worked as an administrative officer at Tay Paper Resources (Pte) Ltd. Prior to joining our Group, 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 sale and purchase orders, including order processing and scheduling, import and export and shipping, book-keeping, payment collection and issuing monthly reports on the company's stock, contracts and receivables. Ms Soh graduated with a Secondary Three certificate in 1985.

Ms Zhang Yu is the Sales Manager of our Group and is responsible for the sale and trading of ferrous scrap metals and steel products. Ms Zhang is responsible for sourcing for more sales opportunities and maintaining our Group's existing clientele for ferrous scrap metals and steel products. Ms Zhang obtained a Bachelor of Arts (English) from Jilin University in 1998.

Ms Wang Fang is our Project Manager and is responsible for our Group's demolitions businesses. Ms Wang is in charge of preparing the cost estimates and plans, administering the contracts for all levels and types of demolitions work. Ms Wang has over 12 years' experience as a quantity surveyor. From 1992 to 1994, Ms Wang worked as an estimator for The Third Construction Co., Guangdong, PRC. In 1995, she worked as a project manager for Goldhorse Real Estate Development Company, Hainan, PRC. From 1997 to 1999, Ms Wang worked as an assistant civil engineer cum quantity surveyor at Thng Bee Teck Construction. In 2000, she worked as a quantity surveyor at Dembicon Equipment Pte Ltd. From 2001 to 2002, she worked as a quantity surveyor at PBT Engineering Pte Ltd. Ms Wang obtained a degree in Construction Management Engineering from the Chongqing Civil Engineering Institute, PRC in 1992.

None of our Executive Officers has any present or past directorship over the five years preceding the date of this Prospectus.

Save for Messrs Ang Yu Seng, Ang Yew Lai and Ang Yew Chye who are brothers, none of our Directors and Executive Officers are related by blood or by marriage to one another or to our Substantial Shareholders.

RELATED EMPLOYEES

<u>Name</u>	<u>Age</u>	<u>Address</u>	<u>Principal Occupation</u>
Ang Siew Chin	43	Blk 151 Petir Road #04-172 Singapore 670151	Operations Manager
Ang Lay Eng	41	Blk 203A Compassvale Road #12-21 Singapore 541203	Operations Manager

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.

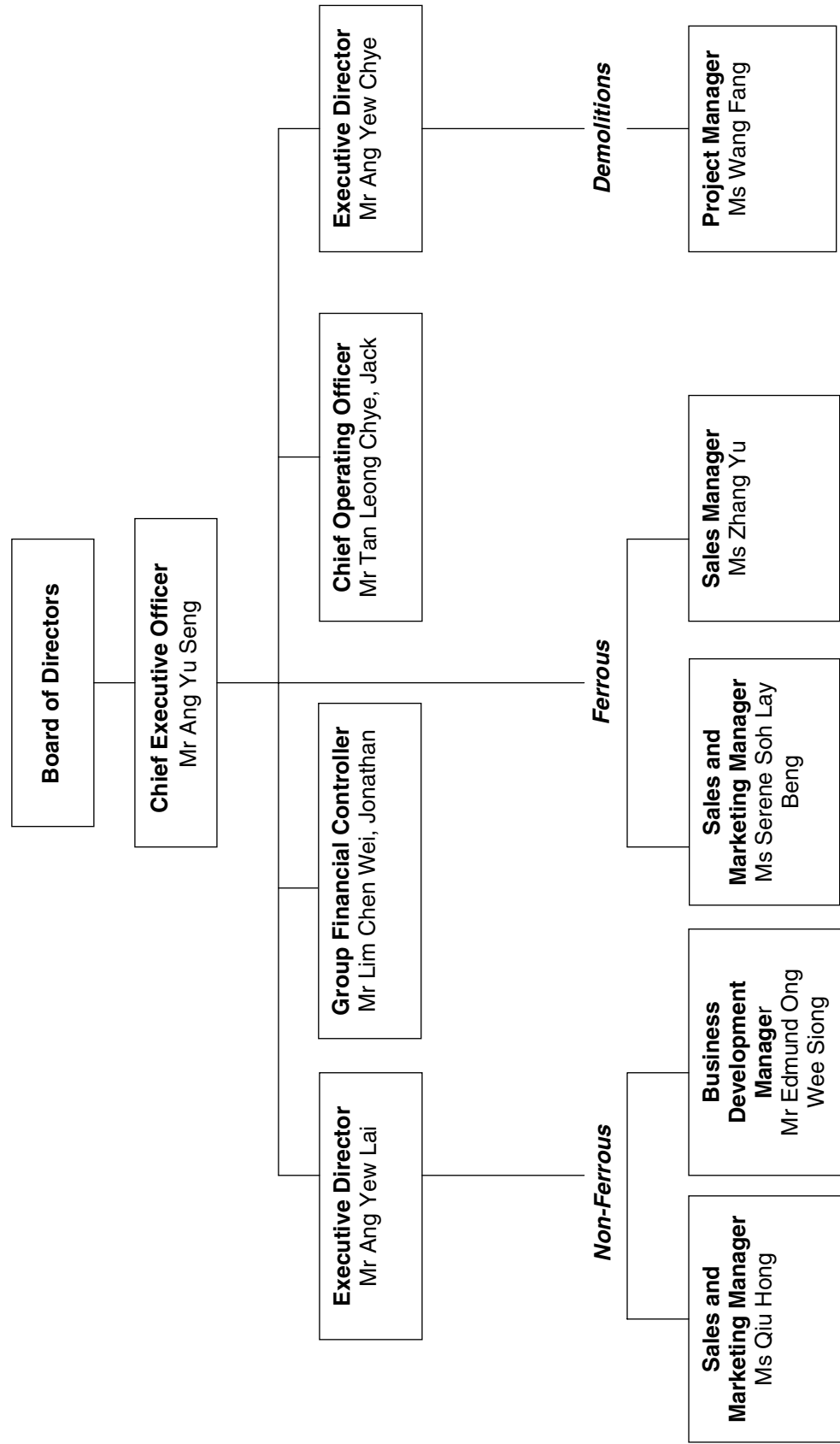
Mdm Ang Siew Chin is the Operations Manager of Yew Lee Seng Metal of our Group and is responsible for overseeing all employees working at the Company. Mdm Ang joined our Group in March 2000. She graduated with GCE "O" Levels in 1977.

Mdm Ang Lay Eng is the Operations Manager of Yew Lee Seng Metal and is in charge of the transportation arrangements for the removal and disposal of waste. From 1984 to 1988, Mdm Ang was working at YLS Steel before transferring to Yew Lee Seng Metal in 1988. She graduated with GCE "O" Levels in 1980.

DIRECTORS, MANAGEMENT AND STAFF

MANAGEMENT REPORTING STRUCTURE

The following chart shows our management reporting structure as at the Latest Practicable Date:



DIRECTORS, MANAGEMENT AND STAFF

EMPLOYEES

The number of full-time employees of our Group (excluding our Directors) segmented by job functions as at the end of each of the last three financial years and as at 31 December 2004 is as follows:

	FY2002	FY2003	FY2004	31 December 2004
Management, Sales and Marketing	6	10	15	17
Production and Quality Assurance	58	53	53	75
Accounts	3	3	4	6
Clerical and General Administration	10	16	19	22
Total	77	82	91	120

All our employees are based in Singapore. Our employees are not unionised or covered by any collective bargaining agreements. We have not experienced any strikes or work stoppages by our employees and believe our relationship with our employees is good. As at Latest Practicable Date, we have entered into contracts with employment agencies who provide us with four contract workers, whose services may be terminated by serving one day's notice.

COMPENSATION

Directors and Executive Officers

The compensation (which includes benefits in kind, directors' fees and bonuses) paid to our Directors and Executive Officers (in terms of amount of compensation) of the Group for services rendered to us and our subsidiaries on an aggregate basis and in remuneration bands during FY2003 and FY2004 (being the last two most recent completed financial years) and as estimated for FY2005 (excluding bonuses and the annual incentive bonus based on the Group's audited profit before taxation excluding minority interest) is as follows:

	FY2003	FY2004	FY2005 (Estimated) ⁽²⁾
Names of Directors and Executive Officers in each Remuneration Band⁽¹⁾			
<u>Directors</u>			
Ang Yu Seng	Band II	Band II	Band II
Ang Yew Lai	Band II	Band II	Band II
Ang Yew Chye	Band I	Band I	Band I
Chan Kok Poh	—	—	Band I
Chang Yeh Hong	—	—	Band I
Siau Kai Bing	—	—	Band I
<u>Executive Officers</u>			
Tan Leong Chye, Jack	Band I	Band I	Band I
Lim Chen Wei, Jonathan	—	—	Band I
Qiu Hong	Band I	Band I	Band I
Edmund Ong Wee Siong	Band I	Band I	Band I
Serene Soh Lay Beng	Band I	Band I	Band I
Zhang Yu	Band I	Band I	Band I
Wang Fang	Band I	Band I	Band I

DIRECTORS, MANAGEMENT AND STAFF

Note:

- (1) Band I: S\$250,000 per annum and below.
Band II: Between S\$250,000 and S\$500,000.
- (2) The estimated aggregate remuneration payable in FY2005 does not take into account the annual incentive bonus based on the Group's audited profit before taxation excluding minority interest.

Save for contributions to the Central Provident Fund scheme, we have not set aside or accrued any amounts to provide for pension, retirement or similar benefits.

Related Employees

As at the Latest Practicable Date, there are two employees of our Group who are related to our Executive Directors, Messrs Ang Yu Seng, Ang Yew Lai and Ang Yew Chye. Mdm Ang Siew Chin and Ang Lay Eng are sisters of our Executive Directors and are currently working as Operations Managers at Yew Lee Seng Metal.

The basis for determining the compensation of our related employees is the same as the basis of determining the compensation of other unrelated employees.

SERVICE AGREEMENTS

Our Company had on 1 July 2005 entered into separate service agreements ("Service Agreements") with our Executive Directors Messrs Ang Yu Seng, Ang Yew Lai and Ang Yew Chye for an initial period of three years commencing 1 July 2005, which shall be renewable automatically every three years (or such shorter periods as the parties may agree), unless terminated by our Company giving the Directors six months' notice in writing or, in lieu of such notice or part thereof, by paying an amount equal to six months' salary or part thereof in lieu of such notice.

Each of the Service Agreements may be terminated by our Company without any notice or payment in lieu of notice upon the occurrence of certain events, such as the conviction of a criminal offence, serious misconduct or a breach of their obligation under the Service Agreements.

Pursuant to the terms of the respective Service Agreements, Messrs Ang Yu Seng, Ang Yew Lai and Ang Yew Chye are entitled to an annual salary equivalent to S\$348,000, S\$276,000 and S\$216,000, respectively. Further, each of Messrs Ang Yu Seng, Ang Yew Lai and Ang Yew Chye is entitled to an annual wage supplement of one month's salary. Messrs Ang Yu Seng, Ang Yew Lai and Ang Yew Chye are also entitled to an annual incentive bonus based on a percentage of our Group's audited profit before taxation excluding minority interest ("Group PBT") as set out in the table below:

Name	←————— Group PBT —————→		
	For the first S\$5.0 million	Amount in excess of S\$5.0 million and up to S\$10.0 million	Amount in excess of S\$10.0 million
Ang Yu Seng	3.0%	4.0%	5.0%
Ang Yew Lai	2.0%	3.0%	4.0%
Ang Yew Chye	1.0%	2.0%	3.0%

The salaries will be reviewed by our Board of Directors in consultation with our Remuneration Committee at the expiration of the Service Agreements. Messrs Ang Yu Seng, Ang Yew Lai and Ang Yew Chye will abstain from voting on any decision made by our Board of Directors in connection with the amendment of any term of, or the renewal of his Service Agreement.

Messrs Ang Yu Seng, Ang Yew Lai and Ang Yew Chye shall each be entitled during his employment to other benefits, including the use of a motor car. All travelling-related expenses, entertainment expenses and other out of pocket expenses properly incurred by Messrs Ang Yu Seng, Ang Yew Lai and Ang Yew Chye in the course of the employment will be borne by our Company.

DIRECTORS, MANAGEMENT AND STAFF

Had the Service Agreements been in place in FY2004, the aggregate remuneration payable to our Executive Directors (including Directors' fee and benefits in kind) would have been approximately S\$1.9 million instead of approximately S\$0.9 million and the profit after tax of our Group for FY2004 would have been approximately S\$8.7 million instead of approximately S\$9.5 million. Our Executive Directors' aggregate remuneration of approximately S\$1.9 million represent approximately 21.8% of the profit after tax of our Group in FY2004 (with aggregate remuneration added back) had the Service Agreements been in effect for FY2004.

Save for the above, there are no existing or proposed service contracts entered or to be entered into between our Company and our Executive Directors.

UNION STEEL HOLDINGS EMPLOYEE SHARE OPTION SCHEME

Overview

On 28 June 2005, we adopted the Union Steel Holdings Employee Share Option Scheme, the rules of which are set out in Appendix VII of this Prospectus. The Scheme complies with the rules set out in the Listing Manual of the SGX-ST.

As at the date of this Prospectus, no options (the "Options") have been granted under the Scheme.

Objectives of the Scheme

The objectives of the Scheme are as follows:

- (i) to motivate participants to optimise his/her performance standards and efficiency and to maintain a high level of contribution to our Group;
- (ii) to retain our Directors and employees whose contributions are essential to the long-term growth and prosperity of our Group;
- (iii) to instill loyalty to, and a stronger identification by participants with the long-term growth and profitability of our Group;
- (iv) to attract potential employees with relevant skills to contribute to our Group and to create value for our Shareholders; and
- (v) to align the interest of participants with the interests of our Shareholders.

In order to remain an attractive and competitive employer, it is essential that we adopt incentive plans which will enable us to reward our Directors and employees without inflating the total remuneration costs of our Group. The Scheme gives us the flexibility to build a variable component into the remuneration package of all deserving Directors and employees through the grant of Options.

Size of the Scheme

The aggregate number of Shares over which Options may be granted under the Scheme on any date, when aggregated with the number of shares issued and issuable under the Scheme or any other share option schemes of our Company, shall not exceed 15% of the issued ordinary share capital of the Company on the day preceding the date of the relevant grant ("Scheme Size").

We believe that the Scheme should be of a sufficient size to enable us to have the flexibility to structure remuneration and incentive packages and to offer Options over a significant number of Shares to new and existing employees. Such number of Shares ought to be significant enough to serve as a meaningful incentive in the recruitment of new employees as well as a reward to existing employees for their contribution to our Group. Taking into account the current issued share capital of our Company, the current number of our employees and the possible increase in headcount should our business activities increase in the future during the validity of the Scheme, we believe that the Scheme Size is reasonable.

DIRECTORS, MANAGEMENT AND STAFF

Eligibility

Persons eligible to participate in Scheme are:

- (i) our Directors (including our Non-Executive Directors and Independent Directors); and
- (ii) our employees.

Controlling Shareholders and their Associates are not eligible to participate in the Scheme.

Maximum Entitlement

The number of Shares comprised in any option to be offered to a participant in the Scheme shall be determined at the absolute discretion of the Remuneration Committee, who shall take into account criteria such as rank, past performance, years of service and potential for future development of that participant provided that the maximum entitlement per participant is 20% of the total number of Shares available under the Scheme.

Rationale for Participation of our Non-Executive and Independent Directors

Although our Non-Executive Directors are not involved in the day-to-day running of our operations, they nonetheless play an invaluable role in furthering the interests of our Group by contributing their experience and expertise. The participation of our Non-Executive Directors in the Scheme will provide us with another avenue to acknowledge and recognise their services and contributions to our Group as it may not always be possible to compensate them fully or appropriately by increasing the Directors' fees or other forms of cash payment. For instance, our Non-Executive Directors may bring strategic or other value to our Company which may be difficult to quantify in monetary terms. The ability to grant Options to our Non-Executive Directors will help to attract experienced and qualified persons from different professional backgrounds to join us as Non-Executive Directors, and to retain and motivate our Non-Executive Directors to promote the interests of our Group.

To preserve the independence of our Independent Directors, any Options granted to them are intended as a token of our Company's appreciation, and will comprise a relatively small percentage of the total number of Options that would be offered and granted to participants under the Scheme, being principally, the employees of our Group. Further, we will not grant any Options at a discount to Market Price (as defined below) to our Directors.

Exercise Price

Under the rules of the Scheme, Options may be granted at exercise prices:

- (i) at the prevailing market price of our Shares based on the average of the last dealt price per Share determined by reference to the daily official list or other publication published by the SGX-ST for a period of five consecutive market days immediately preceding the relevant date of grant of such Options ("Market Price"); or
- (ii) at a price which is set at a discount to the Market Price, provided that:
 - (a) the maximum discount shall not exceed 20% of the Market Price;
 - (b) the discount must have been approved by our Shareholders in a separate resolution; and
 - (c) the exercise price is not lower than the par value of our Shares.

Grant of Options at a Discount

With the Scheme, we aim to offer a competitive incentive package. The flexibility to grant Options at a discount to the Market Price is important to enable us to achieve the objectives of the Scheme. For instance:

- (i) due to stock market fluctuations, the market price of our ordinary shares on the grant of Options may not constitute a true reflection of the financial performance or valuation of our Company. In such circumstances, Options granted without a discount may be a less powerful form of incentive than Options granted at a discount. The flexibility to grant Options at a discount under the Scheme, therefore, helps us to continue to use Options as an incentive tool in such circumstances;
- (ii) in the event that discounted Options become, as appears to be increasingly the case, a general market norm, the flexibility to grant Options at a discount under the Scheme helps us to continue to offer a competitive compensation and incentive package; and
- (iii) we may wish to target certain business units of our Group to improve their performance. In such circumstances, we may consider granting Options to employees of those units at a discount or at a greater discount than other grantees in order to further motivate those employees to improve their performance. The flexibility to grant Options at a discount under the Scheme therefore helps us to differentiate between grants of Options in line with our business and corporate objectives.

Cost of Options granted under the Scheme to our Company

Any Options granted under the Scheme would have at fair value. In the event that such Options are granted at prices below the fair value of the Options, there will be a cost to our Company. The amounts of such costs may be more significant in the case of incentive Options, where such Options are granted with exercise prices set at a discount to the prevailing market price of our Shares. The cost to our Company of granting Options under the Scheme would be as follows:

- (i) the exercise of an option at the exercise price would translate into a reduction of the proceeds from the exercise of such option, as compared to the proceeds that our Company would have received from such exercise had the exercise been made at the prevailing market price of the Shares. Such reduction of the exercise proceeds would represent the monetary cost to our Company;
- (ii) as the monetary cost of granting Options with a discounted exercise price is borne by our Company, the earnings of our Company would effectively be reduced by an amount corresponding to the reduced interest earnings that our Company would have received from the difference in proceeds from exercise price with no discount versus the discounted exercise price. Such reduction would, accordingly, result in the dilution of our Company's EPS; and
- (iii) the effect of the issue of new Shares upon the exercise of Options, is that the Company's NTA per Share will increase if the exercise price is above the NTA per Share and decrease, if the exercise price is below the NTA per Share.

It should be noted that the costs discussed above would materialise only upon the exercise of the relevant Options. Measured against these costs would be the desirable effect of the Scheme to attract, recruit, retain and motivate directors and employees which could, in the long term, yield greater returns for us and our Shareholders.

The grant of Options under the Scheme will not have an impact on our Company's reported profit under current accounting rules set out in the Singapore Financial Reporting Standards ("FRS"). However, a new accounting standard, which will be effective for financial periods beginning on or after 1 January 2005, will require the recognition of an expense in respect of Options granted under the Scheme. The expenses will be based on the fair value of the Options at the date of grant (as determined by an option-

DIRECTORS, MANAGEMENT AND STAFF

pricing model) and will be recognised over the vesting period. The requirement to recognise an expense in respect of Options granted to employees is set out in FRS 102, Share-Based Payment, issued by the Council on Corporate Disclosure and Governance and should be applied by listed companies for financial periods beginning on or after 1 January 2005.

The exercise price of the Options will be determined at the time the Options are granted. As and when the Options are exercised, the cash inflow will add to the NTA of our Company and its share capital will grow. The impact of the issue and allotment of new Shares upon the exercise of Options on our NTA per Share will be accretive if the Exercise Price is above the NTA per Share, but dilutive otherwise. This impact however will materialise only if and when the relevant Options are actually exercised.

However, as our Shareholders may be aware, any Options granted to subscribe for new ordinary shares at the time of grant have a fair value at the time of grant. The fair value of an option is an estimate of the amount that a willing buyer would pay a willing seller for an option on the grant date. Options are granted to employees for a nominal sum of S\$1.00. Insofar as such Options are granted at a consideration which is less than their fair value at the time of grant, there will be a cost to us (in that we will receive from the employee upon the grant of the option to him or her, a consideration that is less than the fair value of the option), the size of which will depend on whether the Options are granted at market price or at a discount to the market price. Subject as aforesaid, as and when Options are exercised, the cash inflow would add to our NTA and our share capital base will grow. Where Options are granted with exercise prices that are set at a discount to the market prices of the Shares prevailing at the time of the grant of such Options, the amount of the cash inflow to our NTA on the exercise of such Options would be diminished by the quantum of the discount given, as compared with the cash inflow that would have been receivable by us had the Options been granted at the market price of our Shares prevailing at the time of the grant.

Administration of the Scheme

The Scheme is administered by the Remuneration Committee. As at the date of this Prospectus, the members of our Remuneration Committee are Messrs Ang Yu Seng, Chang Yeh Hong and Siau Kai Bing.

We may grant Options at any time (but not for a certain period before the announcement of our financial results or other material information) during the term of the Scheme, which is ten years from the date it was adopted by our Shareholders.

Abstention from Voting

Shareholders who are eligible to participate in the Scheme are to abstain from voting on any Shareholders' resolution relating to the Scheme.

Acceptance of Options

The grant of Options shall be accepted within 30 days from the date of the offer. Offers of Options made to grantees, if not accepted before the closing date, will lapse. Upon acceptance of the offer, the grantee must pay our Company a consideration of S\$1.00.

Rights of Option Holders

Shares allotted and issued on the exercise of an option rank in full for all dividends or other distributions declared or recommended thereafter in respect of our then existing Shares and shall in all other respects rank *pari passu* with our then existing Shares.

Options with an exercise price fixed at the Market Price may be exercised on the first anniversary from the date of grant of the option. Options with an exercise price set at a discount to the Market Price may be exercised on the second anniversary from the date of grant of the option. Holders of Options who are executive directors or employees of any company in the group have up to ten years from the date of grant to exercise their Options. Holders of Options who are non-executive directors of any company within the Group have up to five years from the relevant date of grant of option to exercise their Options.

DIRECTORS, MANAGEMENT AND STAFF

Termination of Options

Special provisions in the rules of the Scheme deal with the lapse or earlier exercise of Options in circumstances which include the termination of the participant employment in our Group, the bankruptcy of the participant, the death of the participant, a take-over of our Company and the winding-up of our Company.

Variation of Share Capital

If there is a variation in the share capital of our Company, we may adjust the exercise price, the par value and the number of ordinary shares that may be granted under the Scheme. However, we are not required to vary the terms of the Scheme, or the exercise price, the par value or the number of ordinary shares that may be granted under the Scheme, in the event of a private placement of our ordinary shares, the cancellation of issued ordinary shares purchased by our Company by way of a market purchase and the issue of new ordinary shares on the exercise of Options or the conversion of any convertible securities.

Reporting and Approvals

Details of the Options granted pursuant to the Scheme, the number of Options exercised and the subscription price will be disclosed in our annual report.

We have made an application to the SGX-ST for permission to deal in and for quotation of our Shares which may be issued upon exercise of the Options to be granted under the Scheme. The approval of the SGX-ST is not to be taken as an indication of the merits of our Company, our subsidiaries, our Shares, the New Shares, or the new Shares which may be allotted or issued upon the exercise of Options granted under the Scheme.

Duration of the Scheme

The Scheme shall be in force up to a maximum period of ten years from the date on which the Scheme was adopted. The Scheme may continue beyond the stipulated period with the approval of Shareholders by way of ordinary resolution in general meeting and of any relevant authorities which may then be required.

CORPORATE GOVERNANCE

Our Directors recognise the importance of corporate governance and the offering of high standards of accountability to the shareholders of our Company, and will follow closely the best practices outlined in the Best Practices Guide issued by SGX-ST. Our Board of Directors has formed three committees: (i) the Audit Committee; (ii) the Remuneration Committee and (iii) the Nominating Committee.

Audit Committee

Our Audit Committee comprises Messrs Chan Kok Poh, Chang Yeh Hong and Siau Kai Bing. Mr Chang Yeh Hong will be the Chairman of our Audit Committee.

Our Audit Committee shall meet periodically to perform the following functions:

- (a) to review with the external auditors the audit plan, and the results of our external auditors' examination and evaluation of our 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 our Board of Directors for approval;
- (d) to review the co-operation given by our management to our 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.

Apart from the duties listed above, our Audit Committee shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on our Company's operating results and/or financial position.

Remuneration Committee

Our Remuneration Committee comprises Messrs Ang Yu Seng, Chang Yeh Hong and Siau Kai Bing. Mr Chang Yeh Hong will be the Chairman of our Remuneration Committee. Our Remuneration Committee will recommend to our Board of Directors a framework of remuneration for our Directors and Executive Officers and determine specific remuneration packages for each Executive Director. The recommendations of our Remuneration Committee should be submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses and benefits in kind shall be covered by our Remuneration Committee. Each member of our Remuneration Committee shall abstain from voting on any resolution in respect of his remuneration package.

The total remuneration of the employees who are related to our Directors will be reviewed annually by our Remuneration Committee to ensure that their remuneration package are in line with our staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. In the event that a member of our Remuneration Committee is related to the employee under review, he will abstain from the review.

The remuneration paid to employees who are immediate family members of our Directors will be disclosed in our annual report in the event such remuneration exceeds S\$150,000 for that financial year.

Nominating Committee

Our Nominating Committee comprises Messrs Ang Yu Seng, Chang Yeh Hong and Siau Kai Bing. The Chairman of the Nominating Committee is Mr Siau Kai Bing. Under our Articles, at least one third of our Directors are required to retire from office at every annual general meeting of our Company. Every Director must retire from office at least once every three years. A retiring Director is eligible and may be nominated for re-election. Our Nominating Committee has been set up to take the responsibility of re-nomination of Directors (including Independent Directors of our Company) taking into consideration each Director's contribution and performance. Our Nominating Committee is also charged with the responsibility of determining annually whether a Director is independent. Each member of our Nominating Committee will not take part in determining his own re-nomination or independence.

Term of Office

Our Directors currently do not have a fixed term of office. According to the Articles of our Company, one-third of our Directors for the time being, or if the number of Directors is not three or a multiple of three, then the nearest one-third, shall retire from office and shall be eligible for re-election every year, at the annual general meeting of our Company, provided that all Directors shall retire from office at least once every three years.

INTERESTED PERSON TRANSACTIONS AND CONFLICTS OF INTERESTS

INTERESTED PERSON TRANSACTIONS

In general, transactions between our Group and any of its interested persons (namely, our Directors, Executive Officers or Controlling Shareholders of our Company or their Associates) are known as interested person transactions. The following discussion on material interested person transactions for the last three financial years ended 30 June 2004 and up to the Latest Practicable Date, is based on the Group and interested persons are construed accordingly.

Interested Person Transactions

Personal Guarantees and Pledge of Personal Properties

Messrs Ang Yu Seng, Ang Yew Lai and Ang Yew Chye have jointly and severally extended various guarantees and indemnities in favour of certain financial institutions, including OCBC Bank, as security for banking facilities and hire purchase credit lines extended to our Group in the last three financial years. The banking facilities are used to finance the purchase of fixed assets and for working capital purposes. In addition, Messrs Ang Yu Seng, Ang Yew Lai and Ang Yew Chye have also pledged certain of their personal properties in favour of Standard Chartered Bank and DBS.

As at 30 June 2004 and the Latest Practicable Date, the total amount of personal guarantees provided by our Directors were approximately S\$57.0 million and S\$65.7 million, respectively. The largest aggregate outstanding amount guaranteed by the above guarantors during the last three financial years as at 30 June 2004 and up to the Latest Practicable Date, based on amounts as at the end of each calendar month except for overdrafts which were based on month-end balances as reflected in the bank statements, was approximately S\$25.4 million.

These guarantees and indemnities were extended in connection with the various credit facilities provided to Union Steel, YLS Steel and Yew Lee Seng Metal. Messrs Ang Yu Seng, Ang Yew Lai and Ang Yew Chye each intend to obtain written consent from the above-mentioned financial institutions for the release of the personal guarantees and indemnities upon the successful listing of the Company on the SGX-ST. In the event that any of the financial institutions are not willing to release the guarantees, Messrs Ang Yu Seng, Ang Yew Lai and Ang Yew Chye will continue to provide the guarantees and indemnities. Messrs Ang Yu Seng, Ang Yew Lai and Ang Yew Chye will not seek the release of their personal guarantees and indemnities if the financial institutions require that the facilities be amended to be on less favourable terms to the Group. In such event, Union Steel, YLS Steel and Yew Lee Seng Metal intend to seek alternative sources of financing on terms no less favourable than the existing terms. In addition, if any of these facilities are unutilised and the Company determines that the facility is not required, the Company may decide to terminate such unutilised facility.

Advances from our Chief Executive Officer

In January 2002, Mr Ang Yu Seng extended advances aggregating S\$605,000 to our Group to finance our working capital requirements. These advances were unsecured, interest-free and repayable on demand with no fixed terms of repayment. These advances were fully repaid by December 2002.

Save as disclosed, none of our Directors, Executive Officers or Controlling Shareholders and their Associates was or is interested in any material transaction undertaken by our Group within the last three financial years ended 30 June 2004 and as at the Latest Practicable Date.

INTERESTED PERSON TRANSACTIONS AND CONFLICTS OF INTERESTS

Transactions with Mr Chan Kok Poh

Our Non-Executive Director, Mr Chan Kok Poh, owns Chan Kok Poh & Company, an audit firm which provided YLS Steel and Yew Lee Seng Metal auditing, taxation and corporate secretarial services. In June 2004, Chan Kok Poh & Company resigned as auditors of YLS Steel and Yew Lee Seng Metal. Our Group has paid the following fees to Chan Kok Poh & Company for these services in the past three financial years and up to the Latest Practicable Date:

(S\$)	FY2002	FY2003	FY2004	1 July 2004 to the Latest Practicable Date
Professional fees	18,080	19,880	1,017	—

The above fees paid to Chan Kok Poh & Company were at arm's length and were comparable to fees charged for similar services by unrelated parties. After the listing of our Group on the Official List of the SGX-ST, all future transactions with Chan Kok Poh & Company, if any, will be conducted in accordance with such guidelines as described in the section entitled "Guidelines for Future Interested Person Transactions" below.

Guidelines for Future Interested Person Transactions

All future transactions with interested persons (as defined in the Listing Manual of the SGX-ST) shall comply with the requirements of the Listing Manual of the SGX-ST. As required by the Listing Manual of the SGX-ST, our Company has adopted a set of new Articles which requires a director to abstain from voting in any contract or arrangement in which he has a personal material interest.

We shall conduct all future transactions with interested persons at arm's length. In addition, our Audit Committee shall review the principal terms and conditions of any such transactions to ensure that they are on normal commercial terms and are not prejudicial to the interests of the minority shareholders. Whenever an Audit Committee member is interested in any interested person transaction, he shall abstain from reviewing and voting on that particular transaction.

In addition, our Directors will ensure that all future business dealings between us and our interested persons will be at arm's length by undertaking, among others, the following procedures:

- (a) when purchasing from an interested person, our Directors shall take into account the prices and terms of at least two other comparative offers from third parties, contemporaneous in time;
- (b) when selling to an interested person, our Directors shall take into account the prices and terms of at least two other successful sales to third parties, contemporaneous in time;
- (c) in determining the most competitive purchase price, our Directors shall take into consideration the nature of the project, the cost and the experience and expertise of the supplier.

The considerations above will allow for variation from the prices and terms of the comparative offers or sales so long as the volume of trade, creditworthiness of the buyer, differences in service, reliability or other relevant factors justify the variation and so long as the contemporaneous comparative offer or sale incorporates modifications that account for volatility of the market for the goods and services in question.

The above does constitute a Shareholders' mandate as we will comply with the provisions of the Listing Manual of the SGX-ST in respect of all future interested person transactions and if required under the Listing Manual of the SGX-ST, we will seek our Shareholders' approval (where necessary) for such transactions.

Our Board of Directors will also ensure compliance with all disclosure requirements on related party transactions, including those of prevailing legislation, the Listing Manual of the SGX-ST and applicable accounting standards. In addition, these transactions will also require Shareholders' approval if the Listing Manual of the SGX-ST so requires.

INTERESTED PERSON TRANSACTIONS AND CONFLICTS OF INTERESTS

CONFLICTS OF INTERESTS

Save as disclosed below, none of our Directors, Executive Offices, Controlling Shareholders, or any of their Associates has any interest, direct or indirect, in:

- (a) any transactions to which our Company was or is to be a party;
- (b) any company carrying on the same business or a similar trade which competes materially and directly with the existing business of our Group; and
- (c) any company that is our customer or supplier of goods and services.

YLS Steel Sdn. Bhd. and Twin Waves Sdn. Bhd.

Mr Ang Yew Lai, Mdm Cheong Kam Kiew (the wife of Mr Ang Yu Seng) and Mdm Kong Siew Ching (a niece of Mdm Cheong Kam Kiew) are collectively entitled to the entire paid-up and issued share capital of YLS Steel Sdn. Bhd. Mr Ang Yu Seng, Mdm Cheong and Mdm Kong are the directors of YLS Steel Sdn. Bhd.

Mr Ang Yu Seng and Datuk Lee Wan Beng are collectively entitled to the entire paid-up and issued capital of Twin Waves Sdn. Bhd. Mr Ang Yu Seng and Datuk Lee are also the directors of Twin Waves Sdn. Bhd.

Prior to 1997 and 2000, both YLS Steel Sdn. Bhd. and Twin Waves Sdn. Bhd. engaged in steel trading activities. Both companies are currently dormant and have no existing business. Mr Ang Yu Seng and Mr Ang Yew Lai have no intention to use the companies to enter into any business which will directly or indirectly compete with our Group's business. Pursuant to deeds of undertaking dated 24 January 2005, Messrs Ang Yu Seng and Ang Yew Lai have undertaken to act in the best interests of our Company and to not, in their personal capacities or otherwise, compete directly or indirectly with the business of our Group.

Associates of Messrs Ang Yu Seng, Ang Yew Lai and Ang Yew Chye

Messrs Ang Yu Seng, Ang Yew Lai and Ang Yew Chye come from a relatively large family, and as a result have a relatively significant number of Associates. Having made all reasonable enquiries, our Directors have reason to believe that there are Associates who could potentially be in similar, related or ancillary businesses as those carried out by our Group.

Messrs Ang Yu Seng, Ang Yew Lai and Ang Yew Chye have not entered into any past transactions, whether in their personal capacities or through our Group, with any such Associates. Messrs Ang Yu Seng, Ang Yew Lai and Ang Yew Chye do not have and have not had any beneficial interest in, nor are they or have they been involved in the management of any company in which such Associates are a director or shareholder. Pursuant to letters of undertakings, Messrs Ang Yu Seng, Ang Yew Lai and Ang Yew Chye have undertaken not to enter into any future transactions with any such Associates or to have any beneficial interest in, or be involved in the management of any company in which such Associate is a director or shareholder.

TAXATION

The following discussion describes the material Singapore income tax, stamp duty, goods and services tax and estate duty consequences of the purchase, ownership and disposal of our Shares under the current tax laws in Singapore and is not intended to be and does not constitute legal or tax advice. While this discussion is considered to be a correct interpretation of existing laws in force as at the Latest Practicable Date, no assurance can be given that courts or fiscal authorities responsible for the administration of such laws will agree with this interpretation or that changes in such laws will not occur. The discussion is limited to a general description of certain tax consequences in Singapore with respect to ownership of our Shares by Singapore investors, and does not purport to be a comprehensive nor exhaustive description of all of the tax considerations that may be relevant to a decision to purchase our Shares.

Prospective investors should consult their tax advisers regarding Singapore tax and other tax consequences of owning and disposing our Shares. It is emphasised that neither our Company, our Directors nor any other persons involved in the Invitation accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of our Shares. Dividends payable by our Company on our Shares will be declared in Singapore Dollars and paid to our Shareholders in Singapore Dollars.

INCOME TAX

Individual Income Tax

On 27 February 2004, the Minister for Finance announced that the following income received by resident individuals with effect from year of assessment 2005 i.e. calendar year 2004 would be exempt from Singapore income tax:

- all foreign sourced income received in Singapore (except for income received through a partnership in Singapore); and
- Singapore-sourced investment income derived directly by individuals from financial instruments.

Thus an individual taxpayer is only subject to Singapore income tax on income (other than certain investment income and one-tier dividends which are exempt from tax) accrued in or derived from Singapore irrespective of whether he is a resident or non-resident of Singapore.

Non-Singapore resident individuals, subject to certain exceptions, are subject to Singapore income tax only on income accruing in or derived from Singapore.

Tax rate for a resident individual varies according to the individual's circumstances but is subject to current maximum rate of 21% and 20% with effect from the year of assessment 2006 and 2007 i.e. calendar year 2005 and 2006 respectively. Prior to this, with effect from year of assessment 2003 i.e. calendar year 2002, the maximum rate was 22%. A non-resident individual is normally taxed at corporate tax rate, except that Singapore employment income is taxed at a flat rate of 15% or at resident rates, whichever yields a higher tax.

An individual is a tax resident in Singapore in a year of assessment if, in the preceding year, he was physically present in Singapore or exercised an employment in Singapore (other than as a director of a company) for 183 days or more, or if he resides in Singapore.

Corporate income tax

A Singapore corporate taxpayer is subject to Singapore income tax on income accrued in or derived from Singapore, and on foreign income received or deemed to be received in Singapore. However foreign dividends, branch profits and foreign service income received or deemed to be received in Singapore on or after 1 June 2003 by a Singapore resident company are exempt from Singapore tax if certain conditions are met. In addition, one-tier dividends received by a resident company are also exempt from Singapore income tax.

TAXATION

A non-resident corporate taxpayer, with certain exceptions, is subject to income tax only on income that is accrued in or derived from Singapore, and on foreign income received in Singapore, subject to some exceptions. One-tier dividends received by a non-resident Singapore company are also exempt from Singapore income tax.

- A corporate taxpayer will be regarded as being resident in Singapore if the control and management of its business is exercised in Singapore (for example, if the company's board of directors meets and conducts the business of the company in Singapore).

With effect from year of assessment 2004 ("YA2004") i.e. financial year ended 2003, the standard corporate tax rate in Singapore is 22%. Further, corporate tax exemption will apply to the first S\$100,000 of a company's chargeable income as follows:

- 75% of up to the first S\$10,000 of a company's chargeable income (excluding Singapore dividends); and
- 50% of up to the next S\$90,000 of a company's chargeable income (excluding Singapore dividends).

The remaining chargeable income (after the tax exemption) will be taxed at 22%. The new corporate tax rate applies to the Company's business income for the financial year ending 31 December 2003 and other base period ending 2003 and other income such as interest and Singapore dividends received.

In the Budget Statement 2004 announced on 27 February 2004, the Minister for Finance confirmed the reduction of corporate tax rate from 22% to 20% with effect from the year of assessment 2005. Similar tax exemption as mentioned above on the first S\$100,000 will still apply.

The Minister for Finance also announced in the Budget Statement 2004 that the first S\$100,000 of normal chargeable income (excluding Singapore dividends) earned by new companies for each of their first three years of assessment that fall within the period from the year of assessment 2005 to the year of assessment 2009, would be exempt from income tax.

In the Budget Statement 2005, The Minister for Finance announced that with effect from year of assessment 2006 "small companies" will be allowed to carry back their current year unabsorbed trade losses and capital allowances subject to a cap of \$100,000 to set off against their assessable income of the year of assessment immediately preceding the year of assessment in which capital allowance was granted or trade loss was incurred. This is provided that certain conditions are met.

Subject to any applicable tax treaty, non-Singapore resident taxpayers are subject to a withholding tax of 20% on certain categories of income derived from Singapore or generally at 15% on interest, royalty and rental of movable property received from Singapore. The withholding tax rate would change accordingly with the reduction in corporate tax rates above.

Cash Dividend Distributions

Prior to 1 January 2003, Singapore operated an imputation system of taxing dividends declared by companies which are resident in Singapore. Under this system, the tax paid by the Company at the prevailing corporate tax rate is in effect imputed to, and deemed to be paid on behalf of its shareholders. Shareholders receive dividends net of such tax. Shareholders are taxed on the gross amount of dividends (that is, on the amount of net dividends plus an amount equal to the gross dividends multiplied by the prevailing corporate tax rate). The tax paid by the Company effectively becomes available to its shareholders as a tax credit to offset their Singapore income tax liability on the gross amount of dividends paid by the Company.

TAXATION

Singapore does not impose withholding tax on dividends paid to Singapore resident or non-Singapore resident shareholders. As the tax paid by the Company at the prevailing corporate tax rate is deemed to be paid by its shareholders, no further Singapore income tax liability is imposed on dividends received by such non-resident shareholders. Conversely, such non-resident shareholders who do not have deductible expenses which are accepted by the Inland Revenue Authority of Singapore as attributable to such dividend income will normally not receive any refund from the Inland Revenue Authority of Singapore. Singapore taxpayers are taxed on dividends received from the Company at the income tax rates applicable to each taxpayer. Where their income tax liabilities on the dividends are lower (or, as the case may be, higher) than the tax deducted at source from such dividends at the prevailing corporate rate, such resident shareholders may receive a refund from (or, as the case may be, have to pay further tax to) the IRAS.

If the Company pays dividends on the Shares out of any income that has been taxed at a concessionary tax rate, such dividends will be free of Singapore tax in the hands of the shareholders (other than on any shares of a preferential nature).

On 3 May 2002, the Minister for Finance announced in the Financial Year 2002 Budget that Singapore will move to a “one-tier” corporate tax system with effect from 1 January 2003. Under this proposed system, the tax collected from corporate profits is final and Singapore dividends are tax exempt in the hands of the shareholder, regardless of the tax residence status or the legal form of the shareholder. To enable companies to make full use of unutilised dividend franking credits as at 31 December 2002, the Minister for Finance proposed to introduce a five year transition period from 1 January 2003 to 31 December 2007 for such companies to pay franked dividends out of its unutilised dividend franking credits. During this period, the shareholders will continue to receive these dividends with tax credits attached and will be entitled to set off the tax credits against their tax liability. Companies, however, have the irrevocable option to move to the “one-tier” corporate tax system at an earlier date before their dividend franking credits expire.

Foreign sourced dividend income

Where the Company receives foreign income that has not been subject to full Singapore income tax due to the availability of foreign tax credits, the Company may pay tax exempt dividends out of the foreign income received in Singapore. The amount of such foreign income available to cover the distribution of tax exempt dividends to shareholders is equal to the foreign tax credit allowed divided by the prevailing corporate tax rate, less the foreign tax paid.

The Company will credit such foreign income to a special account (known as the “Section 13E account”). Any subsequent dividends paid by the Company out of this account to its shareholders (other than on any shares of a preferential nature) will be tax exempt subject to certain conditions.

Bonus Issues And Scrip Dividends

Under current Singapore tax law and practice, a capitalisation of profits followed by the issue of new shares, credited as fully paid, pro-rata to shareholders (“bonus issue”) does not represent a distribution of dividends by a company to its shareholders. Therefore, a Singapore resident shareholder receiving shares by way of a bonus issue should not have a liability to Singapore tax.

When a dividend is to be satisfied wholly or in part in the form of an allotment of ordinary shares credited as fully paid, the dividend declared will be treated as income subject to Singapore tax. Similarly, when shareholders are given the right to elect to receive an allotment of ordinary shares credited as fully paid in lieu of cash, the dividend declared will be treated as dividend income and be subject to Singapore tax.

Capital Gains

Singapore does not impose tax on capital gains. There are no specific laws or regulations, which deal with the characterisation of capital gains. Gains derived from activities which are regarded as the carrying on of a trade or business in Singapore are income in nature and are therefore subject to income tax.

TAXATION

However, gains may be construed to be of an income nature and subject to tax if:

- they arise from activities which the Inland Revenue Authority of Singapore regards as the carrying on of a trade or business in Singapore; or
- they are short-term (that is, a three-year time frame) investment gains from the sale of real property and shares in unlisted companies with substantial real property or real property related assets in Singapore, except where such sales are contracted on or after 13 October 2001.

Any profits from the disposal of ordinary Shares are not taxable in Singapore unless the seller investor is dealing or trading in shares in Singapore is regarded as having derived gains of an income nature in Singapore, in which case, the disposal profits would be taxable as trading income and not treated as non-taxable capital gains.

STAMP DUTY

No stamp duty is payable on the allotment or holding of our Shares.

Stamp duty is payable on the instrument of transfer of our Shares at the rate of S\$2.00 for every S\$1,000 or any part thereof, computed on of the consideration for, or market value of our Shares.

The purchaser is liable for stamp duty, unless otherwise agreed. No stamp duty is payable if no instrument of transfer is executed or the instrument of transfer is executed outside Singapore. However, stamp duty may be payable if the instrument of transfer which is executed outside Singapore is received in Singapore.

The above stamp duty is not applicable to electronic transfers of the ordinary shares through the Central Depository System. Please refer to “Clearance and Settlement” for more details.

GOODS AND SERVICES TAX (“GST”)

The sale of the Shares by an investor belonging to Singapore through an SGX-ST member or to another person belonging in Singapore is an exempt supply not subject to GST. Any GST directly or indirectly incurred by the investor in respect of this exempt supply will become an additional cost to the investor.

Where our Shares are sold by a GST-registered investor for and to a person belonging outside Singapore, the sale is a taxable supply subject to GST at zero-rate. Any GST incurred by a GST-registered investor in the making of this supply in the course of furtherance of a business is claimable as a refund from the Comptroller of GST.

Services such as brokerage, handling and clearing services rendered by a GST-registered person to an investor belonging in Singapore in connection with the investor’s purchase, sale or holding of the Shares will be subject to GST at the current rate of 5%. Similar services rendered to an investor belonging outside Singapore are subject to GST at zero-rate.

ESTATE DUTY

Singapore estate duty is imposed on the value of most movable and immovable property situated in Singapore owned by an individual who at the time of death was in Singapore, subject to specific exemption limits. Movable assets of an individual who at the time of death was not domiciled in Singapore are exempt from estate duty with respect to death occurring on or after 1 January 2002.

Our Shares are considered to be movable property situated in Singapore as our Company’s share register is maintained in Singapore.

TAXATION

Accordingly, our Shares held by an individual are subject to Singapore estate duty upon such individual's death, if the individual is domiciled in Singapore. Singapore estate duty is payable to the extent that the value of the Shares aggregated with any other assets subject to Singapore estate duty dutiable property exceeds S\$600,000. Unless estate duty exemptions apply to the other assets, any excess beyond S\$600,000 will be taxed at 5% on the first S\$12,000,000 of the individual's chargeable property subject to Singapore estate duty and thereafter on the remainder at 10%.

Prospective purchasers of our Shares who are individuals, whether or not domiciled in Singapore, should consult their own tax advisors regarding the Singapore estate duty consequences of their ownership of our Shares.

PLAN OF DISTRIBUTION

The Invitation Price was determined by our Company and the Vendors in consultation with OCBC Bank, based on market conditions and the market demand for our Shares determined through a book-building process. The Invitation Price is the same for all Invitation Shares and is payable in full on application.

Offer Shares

The Offer Shares are made available to the members of the public in Singapore for subscription and/or purchase at the Invitation Price. The terms and conditions and procedures for application and acceptance are described in Appendix VIII of this Prospectus. Pursuant to the terms and conditions contained in the Management and Underwriting Agreement signed between our Company, the Vendors and OCBC Bank dated 2 August 2005, OCBC Bank has agreed to underwrite our Offer Shares. The Management and Underwriting Agreement may be terminated by the Underwriter at any time prior to the dealing of the Offer Shares upon the occurrence of certain events, including, among other things, certain force majeure events. The Management and Underwriting Agreement will be conditional upon the occurrence of certain events, including the fulfilment, or waiver by the SGX-ST, of all conditions contained in the letter of eligibility from the SGX-ST for the listing and quotation of our Shares on the Main Board of the SGX-ST.

In the event of an under-subscription for the Offer Shares as at the close of the Application List, that number of Offer Shares not subscribed for and/or purchased shall be made available to satisfy excess application for the Placement Shares (including the Reserved Shares) to the extent there is an over-subscription for the Placement Shares as at the close of the Application List.

OCBC Bank may, at its absolute discretion, appoint one or more sub-underwriters for the Offer Shares.

In the event of an over-subscription for the Offer Shares as at the close of the Application List and/or the Placement Shares are fully subscribed or over-subscribed as at the close of the Application List, the successful applications for the Offer Shares will be determined by ballot or otherwise as determined by our Directors and the Vendors, after consultation with OCBC Bank, and approved by the SGX-ST.

Placement Shares (excluding Reserved Shares)

Application for the Placement Shares may only be made by way of application forms. The terms and conditions and procedures for application and acceptance are described in Appendix VIII of this Prospectus.

Pursuant to the terms and conditions in the Placement Agreement signed between our Company, the Vendors and OCBC Bank dated 2 August 2005, OCBC Bank has agreed to subscribe for and/or purchase or procure subscriptions for and/or purchases of the Placement Shares at the Invitation Price. The Placement Agreement may be terminated by the Placement Agent at any time prior to the dealing of the Placement Shares upon the occurrence of certain events, including, among other things, certain force majeure events. The Placement Agreement will be conditional upon the occurrence of certain events, including the fulfilment, or waiver by the SGX-ST, of all conditions contained in the letter of eligibility from the SGX-ST for the listing and quotation of our Shares on the Main Board of the SGX-ST.

In the event of an under-subscription for the Placement Shares as at the close of the Application List, that number of Placement Shares not subscribed for and/or purchased shall be made available to satisfy excess applications for the Offer Shares to the extent that there is an over-subscription for the Offer Shares as at the close of the Application List.

OCBC Bank may, at its absolute discretion, appoint one or more sub-placement agents for the Placement Shares.

Subscribers and/or purchasers of Placement Shares (excluding Reserved Shares) may be required to pay brokerage of up to 1.0% of the Invitation Price to the Placement Agent.

PLAN OF DISTRIBUTION

Reserved Shares

To recognise contributions to our Group, we have reserved 8,800,000 Placement Shares for subscription, at the Invitation Price, by our Independent Directors and Non-Executive Directors, employees, business associates of our Group and those who have contributed to the success of our Group. These Reserved Shares are not subject to any moratorium and may be disposed of after the admission of our Company to the Official List of the SGX-ST. The terms and conditions and procedures for application and acceptance are described in Appendix VIII of this Prospectus.

In the event that any of the Reserved Shares are not taken up, they will be made available to satisfy excess applications for the Placement Shares to the extent there is an over-subscription for the Placement Shares as at the close of the Application List or, in the event of an under-subscription for the Placement Shares as at the close of the Application List, to satisfy excess applications made by members of the public for the Offer Shares to the extent there is an over-subscription for the Offer Shares as at the close of the Application List.

Save as disclosed in respect of the Reserved Shares, none of our Directors or Substantial Shareholders intend to subscribe for the New Shares in the Invitation. To the best of our knowledge, we are unaware of any person who intends to subscribe for more than 5% of the Invitation Shares.

However, through the process of assessing market demand for our Shares, there may be person(s) who may indicate his interest to subscribe for more than 5% of the Invitation Shares. If such person(s) were to make an application for more than 5% of the Invitation Shares pursuant to the Invitation and subsequently be allotted such number of Shares, we will make the necessary announcements at an appropriate time.

No Shares shall be allocated or allotted on the basis of this Prospectus later than six months after the date of registration of this Prospectus.

CLEARANCE AND SETTLEMENT

Upon listing and quotation on the Main Board of the SGX-ST, our Shares will be traded under the book-entry settlement system of the CDP, and all dealings in and transactions of the Shares through the Main Board of the SGX-ST will be effected in accordance with the terms and conditions for the operation of securities accounts with the CDP, as amended from time to time.

Our Shares will be registered in the name of CDP or its nominee and held by CDP for and on behalf of persons who maintain, either directly or through depository agents, securities accounts with CDP. Persons named as direct securities account holders and depository agents in the depository register maintained by the CDP, rather than CDP itself, will be treated, under our Articles and the Act, as members of our Company in respect of the number of Shares credited to their respective securities accounts.

Persons holding our Shares in a securities account with CDP may withdraw the number of Shares they own from the book-entry settlement system in the form of physical share certificate(s). Such share certificates will, however, not be valid for delivery pursuant to trades transacted on the Main Board of the SGX-ST, although they will be *prima facie* evidence of title and may be transferred in accordance with our Articles. A fee of S\$10.00 for each withdrawal of 1,000 Shares or less and a fee of S\$25.00 for each withdrawal of more than 1,000 Shares is payable upon withdrawing our Shares from the book-entry settlement system and obtaining physical share certificates. In addition, a fee of S\$2.00 or such other amount as our Directors may decide, is payable to the share registrar for each share certificate issued and a stamp duty of S\$10.00 is also payable where our Shares are withdrawn in the name of the person withdrawing our Shares or S\$0.20 per S\$100.00 or part thereof of the last-transacted price where it is withdrawn in the name of a third party. Persons holding physical share certificates who wish to trade on the Main Board of the SGX-ST must deposit with CDP their share certificates together with the duly executed and stamped instruments of transfer in favour of CDP, and have their respective securities accounts credited with the number of Shares deposited before they can effect the desired trades. A fee of S\$20.00 is payable upon the deposit of each instrument of transfer with the CDP.

Transactions in our Shares under the book-entry settlement system will be reflected by the seller's securities account being debited with the number of Shares sold and the buyer's securities account being credited with the number of Shares acquired. No transfer of stamp duty is currently payable for the Shares that are settled on a book-entry basis.

A Singapore clearing fee for trades in our Shares on the the Main Board of the SGX-ST is payable at the rate of 0.05 per cent. of the transaction value subject to a maximum of S\$200.00 per transaction. The clearing fee, instrument of transfer deposit fee and share withdrawal fee may be subject to GST of 5.0%.

Dealings of our Shares will be carried out in Singapore dollars and will be effected for settlement on CDP on a scripless basis. Settlement of trades on a normal "ready" basis on the SGX-ST generally takes place on the third Market Day following the transaction date, and payment for the securities is generally settled on the following business day. CDP holds securities on behalf of investors in securities accounts. An investor may open a direct account with CDP or a sub-account with a CDP depository agent. The CDP depository agent may be a member company of the SGX-ST, bank, merchant bank or trust company.

GENERAL AND STATUTORY INFORMATION

INFORMATION ON DIRECTORS AND EXECUTIVE OFFICERS

1. The name, age, address, principal occupation and business and working experience of each of our Directors and Executive Officers are set out in the section entitled “Directors, Management and Staff”.
2. The present and past directorships other than directorships held in our Company (held in the five years preceding the Latest Practicable Date) of each of our Directors, in other companies are as follows:

Name	Present Directorships	Past Directorships
Ang Yu Seng	Union Steel YLS Steel Yew Lee Seng Metal Twin Waves Sdn. Bhd. (dormant) YLS Steel Sdn. Bhd. (dormant)	—
Ang Yew Lai	YLS Steel Yew Lee Seng Metal Union Steel	—
Ang Yew Chye	YLS Steel Yew Lee Seng Metal	—
Chan Kok Poh	Laverton Investments Pte Ltd Chan Kok Poh Tax Consultants Pte. Ltd. Nucom Management Consultants Pte Ltd	Zhengxing Holding Pte Ltd Network Universal Consultants Singapore Pte Ltd (struck off) Human Bliss Cultural Publisher Pte Ltd (struck off)
Chang Yeh Hong	Jackspeed Corporation Limited Nordic Corporation Pte. Ltd. Berg Aciapac Automation Pte. Ltd. Nordic Flow Control Pte. Ltd. System Access Limited Avitools (S) Pte Ltd	Technics Group Holdings Limited Technics Offshore Engineering Pte Ltd Ink Studio Pte. Ltd. Avitools International Pte. Ltd. Access Holdings Pte. Ltd.
Siau Kai Bing	Advanced Holdings Ltd	Autocomp Pte Ltd (struck off) Barcelona Motors Pte Ltd Inno-pac Trading Pte Ltd Neotrade Marketing Pte Ltd Nishi Corporation Pte Ltd (struck off) Sinamex Marketing Pte Ltd

3. None of our Executive Officers has any present or past directorships over the five years preceding the Latest Practicable Date.
4. None of our Directors, Executive Officers, Controlling Shareholders or Related Managers is or was involved in any of the following events:
 - (a) during the last ten years, a petition under any bankruptcy laws of any jurisdiction filed against him or against a partnership of which he was a partner;
 - (b) during the last ten years, a petition under any law of any jurisdiction filed against a corporation of which he was a director or key executive for the winding-up of that corporation on the ground of insolvency;
 - (c) any unsatisfied judgments against him;

GENERAL AND STATUTORY INFORMATION

- (d) a conviction of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment for three months or more, or any criminal proceedings (including any pending criminal proceedings which he is aware of) for such purpose;
- (e) a conviction of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or any criminal proceedings (including pending criminal proceedings which he is aware of) for such breach;
- (f) during the last ten years, judgment entered against him in any civil proceeding in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or any civil proceedings (including any pending civil proceedings which he is aware of) involving an allegation of fraud, misrepresentation or dishonesty on his part;
- (g) a conviction in Singapore or elsewhere of any offence in connection with the formation or management of any corporation;
- (h) disqualification from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (i) the subject of any order, judgment or ruling of any court, tribunal or governmental body permanently or temporarily enjoining him from engaging in any type of business practice or activity; and
- (j) to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of affairs of:
 - (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or
 - (ii) any corporation or partnership which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,

in connection with any matter occurring or arising during the period when he was so concerned with the corporation or partnership.

In 2003, Mr Ang Yu Seng assisted the Corrupt Practices Investigation Bureau (“CPIB”) in connection with queries relating to invoices of YLS Steel Sdn. Bhd. issued by a former employee without due authorisation to a customer. At the time of the queries, YLS Steel Sdn. Bhd. was dormant. YLS Steel Sdn. Bhd. is a company owned by Mr Ang Yew Lai, Mr Ang Yu Seng’s spouse, Mdm Cheong Kam Kiew, and Mdm Cheong’s niece, Mdm Kong Siew Ching. YLS Steel Sdn. Bhd. is currently dormant. No further assistance was subsequently required of Mr Ang Yu Seng by the CPIB.

5. Save as disclosed in the section entitled “Service Agreements”, there are no other existing or proposed service agreements between our Executive Directors and our Company.
6. There is no shareholding qualification for our Directors under the Articles of our Company.

GENERAL AND STATUTORY INFORMATION

7. No option to subscribe for shares in, or debentures of, our Company or any of our subsidiaries has been granted to, or was exercised by, any of our Directors or Executive Officers within the last financial year.
8. Save as disclosed in the section entitled “Interested Person Transactions”, none of our Directors is interested, directly or indirectly, in the promotion of, or in any property or assets which have, within the two years preceding the date of this Prospectus, been acquired or disposed of by or leased to, our Company or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of our subsidiaries.
9. None of our Directors, Executive Officers or Substantial Shareholders of our Company has any substantial interest, direct or indirect, in any company carrying on a similar trade as our Company or our subsidiaries.
10. The interests of our Directors and Substantial Shareholders in our Shares as at the Latest Practicable Date are as follows:

	Before the Invitation Direct Interest		Before the Invitation Indirect Interests	
	Number of shares	%	Number of shares	%
Directors and Substantial Shareholders				
Ang Yu Seng	60 shares of par value of S\$1.00	60.0	—	—
Ang Yew Lai	25 shares of par value of S\$1.00	25.0	—	—
Ang Yew Chye	15 shares of par value of S\$1.00	15.0	—	—

Save as disclosed in the section entitled “Restructuring Exercise”, there has been no significant change in the percentage of ownership in the share capital of our Company in the last three years prior to the Latest Practicable Date.

11. No sum or benefit has been paid or is agreed to be paid to any Director or expert, or to any firm in which such Director or expert is a partner or any corporation in which such Director or expert holds shares or debentures, in cash or shares or otherwise, by any person to induce him to become, or to qualify him as, a Director, or otherwise for services rendered by him or by such firm or corporation in connection with the promotion or formation of our Company.
12. Save as disclosed in this Prospectus, none of our Directors has any interest in any existing contract or arrangement which is significant in relation to the business of our Company and our subsidiaries, taken as a whole.

GENERAL AND STATUTORY INFORMATION

SHARE CAPITAL

13. As at the Latest Practicable Date, there is only one class of shares in the capital of our Company. There are no founder, management or deferred shares. The rights and privileges attached to our Shares are stated in the Articles of our Company.
14. Save as disclosed in the section entitled “Share Capital” and below, there were no changes in the issued and paid-up share capital of our Company and our subsidiaries within the three years preceding the date of this Prospectus:

Date of issue	Number of shares issued	Par value	Invitation Price/ Consideration/Purpose	Resultant issued share capital
Company				
12 August 2004	100	S\$1.00	Incorporation shares	S\$100
28 June 2005	4,092,780	S\$1.00	Share swap for 100% of the issued and fully paid-up share capital of Union Steel	S\$4,092,880
28 June 2005	12,105,457	S\$1.00	Share swap for 100% of the issued and fully paid-up share capital of YLS Steel	S\$16,198,337
28 June 2005	127,978	S\$1.00	Share swap for 100% of the issued and fully paid-up share capital of Yew Lee Seng Metal	S\$16,326,315
YLS Steel				
28 June 2005	8,000,000	S\$1.00	Bonus issue of 8,000,000 shares of S\$1.00 each in the issued and paid-up capital of YLS Steel	S\$9,000,000

15. Saved as disclosed above, no shares in, or debentures of, our Company or any of our subsidiaries have been issued, or are proposed to be issued, as fully or partly paid for cash or for a consideration other than cash, during the last three years.

ARTICLES OF ASSOCIATION

16. The provisions in the Articles relating to, *inter alia*, the remuneration, voting rights on proposals, arrangements or contracts in which our Directors are interested, borrowing powers of our Directors, the voting rights and dividend rights of members of our Company are set out in the section entitled “Appendix III - Summary of Memorandum of Association and Selected Articles of our Company”.

BANK BORROWINGS AND WORKING CAPITAL

17. Save as disclosed in the section entitled “Financial Review - Borrowings and Gearing” and “Capitalisation and Indebtedness”, our Group had no other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trading bills) or acceptance credits, mortgages, charges, hire purchase commitments, guarantees or other contingent liabilities as at the Latest Practicable Date.
18. In the opinion of our Directors, no minimum amount must be raised by the issue of the New Shares in order to provide the sums required to be provided in respect of each of the following:
 - (a) the purchase price of any property purchased or to be purchased which is to be defrayed in whole or in part out of the proceeds of the issue of the New Shares;

GENERAL AND STATUTORY INFORMATION

- (b) estimated expenses (including underwriting commission and brokerage) for the Invitation payable by our Company;
- (c) the repayment of any money borrowed by our Company in respect of any of the foregoing matters; and
- (d) working capital.

Although no minimum amount must be raised by our Company from the Invitation in order to provide for the items set out above, the estimated amount to be provided for the item set out in sub-paragraph (b) is approximately S\$1.8 million. Such amount is proposed to be provided out of the proceeds of the Invitation or, in the event the Invitation is cancelled, out of our existing banking facilities and/or funds generated from operations. No amounts are to be provided for the items set out in paragraphs (a), (c) and (d) above out of other sources of funding.

19. Our Directors are of the opinion that, after taking into account our cash position and available banking facilities, our Group has adequate working capital for our present requirements.

MATERIAL CONTRACTS

20. Pursuant to the Restructuring Exercise, a restructuring agreement dated 28 June 2005 was entered into between our Company and Messrs Ang Yu Seng, Ang Yew Lai and Ang Yew Chye.

Save as disclosed above, our Company and our subsidiaries have not entered into any other contracts, being contracts entered into out of the ordinary course of business, within the two years preceding the date of lodgement of this Prospectus, which are or may be material.

LITIGATION

21. Neither our Company nor any of our subsidiaries is engaged in any legal or arbitration proceedings as plaintiff or defendant, including those which are pending or known to be contemplated which have or have had in the last 12 months before the date of lodgement of this Prospectus, a material effect on the financial position or the profitability of our Company or any of our subsidiaries.

MISCELLANEOUS

22. The time of opening of the Application List is set out on page 16 of this Prospectus.
23. The amount payable on application is S\$0.20 for each Offer Share and each Placement Share.
24. There has been no previous issue of Shares by our Company or offer for sale of our Shares to the public.
25. At the date of this Prospectus, all the corporations listed below are, by virtue of Section 6 of the Act, deemed to be related to our Company:

Subsidiaries

Union Steel Pte. Ltd.
YLS Steel Pte Ltd
Yew Lee Seng Metal Pte Ltd

GENERAL AND STATUTORY INFORMATION

26. The expenses in connection with the Invitation of approximately S\$1.8 million, including underwriting commission, placement commission, brokerage, management fees, auditors' fee, solicitors' fee and all other incidental expenses can be broken down as follows:

	S\$'000
Listing Fee	25
Professional Fees	850
Underwriting and placement commission and brokerage fees	375
Miscellaneous expenses	550
	<hr/>
Total estimated expenses	<u>1,800</u>

The listing fee, professional fees and miscellaneous expenses will be borne by us. The underwriting and placement commission and brokerage will be borne by us and the Vendors in the proportion in which the number of Invitation Shares offered by each pursuant to the Invitation bears to the total number of Invitation Shares.

27. There have been no public takeover offers by third parties in respect of our Shares or by us in respect of other companies' shares which have occurred during the last and current financial year.
28. No amount of cash or securities or benefit has been paid or given by our Company and/or its subsidiaries to any promoter within the two years preceding the Latest Practicable Date or is proposed or intended to be paid or given to any promoter at any time.
29. (a) Pursuant to the Management and Underwriting Agreement dated 2 August 2005 (the "Management and Underwriting Agreement"), our Company appointed OCBC Bank to manage the Invitation and underwrite the Offer Shares for a commission of 2.25% of the Invitation Price for each Offer Share, payable by our Company.

OCBC Bank will receive a management fee from our Company for its services rendered in connection with the Invitation.

- (b) Pursuant to the Placement Agreement dated 2 August 2005 (the "Placement Agreement"), OCBC Bank agreed to subscribe or procure subscriptions for the Placement Shares for a placement commission of 1.5% of the Invitation Price for each Placement Share, payable by our Company.
- (c) Brokerage will be paid by our Company to members of the SGX-ST, merchant banks and members of the Association of Banks in Singapore in respect of accepted applications made on Application Forms bearing their respective stamps, or to Participating Banks in respect of successful applications made through Electronic Applications at the ATMs of the relevant Participating Banks, at the rate of 0.25% of the Invitation Price for each Offer Share and 1.0% of the Invitation Price for each Placement Share. Subscribers of Placement Shares (excluding Reserved Shares) may be required to pay a brokerage of up to 1.0% of the Invitation Price to the Placement Agent.
- (d) Save as aforesaid, no commission, discount, or brokerage, has been paid or other special terms granted within the two years preceding the date of this Prospectus or is payable to any Director, promoter, expert, proposed Director or any other person for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares in or debentures of our Company.

GENERAL AND STATUTORY INFORMATION

- (e) In the event that the Management and Underwriting Agreement is terminated, our Company reserves the right, at our absolute discretion, to cancel the Invitation.
 - (f) The Placement Agreement is conditional upon the Management and Underwriting Agreement not having been terminated or rescinded pursuant to the provisions of the Management and Underwriting Agreement.
30. No expert is interested, directly or indirectly, in the promotion of, or in any property or assets which have, within the two years preceding the Latest Practicable Date, been acquired or disposed of by or leased to our Company or any of our subsidiaries or are proposed to be acquired or disposed of by or leased to our Company or any of our subsidiaries.
31. Application monies received by our Company in respect of successful applications (including successful applications which are subsequently rejected) will be placed in a separate non-interest bearing account with OCBC Bank (the “Receiving Bank”). In the ordinary course of business, the Receiving Bank will deploy these monies in the interbank money market. All profits derived from the deployment of such monies will accrue to the Receiving Bank. Any refund of all or part of the application monies to unsuccessful or partially successful applicants will be made without any interest or any share of revenue or any other benefit arising therefrom at the applicants’ risk.
32. Save as disclosed in this Prospectus, our Directors are not aware of any relevant material information including trading factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect the profits of our Company and our subsidiaries.
33. Save as disclosed in this Prospectus, the financial condition and operations of our Group are not likely to be affected by any of the following:
- (a) known trends or demands, commitments, events or uncertainties that will result in or are reasonably likely to result in our Group’s liquidity increasing or decreasing in any material way;
 - (b) material commitments for capital expenditure;
 - (c) unusual or infrequent events or transactions or any significant economic changes that materially affect the amount of reported income from operations; and
 - (d) known trends or uncertainties that have had or that we reasonably expect will have a material favourable or unfavourable impact on revenues or operating income.
34. We currently have no intention of changing our auditors after the listing of our Company on the SGX-ST.
35. Save as disclosed in the section entitled “Use of Proceeds”, no property has been purchased or acquired or proposed to be purchased or acquired by our Company or our subsidiaries which is to be paid for wholly or partly out of the proceeds of the Invitation or the purchase or acquisition of which has not been completed at the date of the issue of this Prospectus other than property in respect of which the contract for the purchase or acquisition whereof was entered into in the ordinary course of business or in the ordinary course of business of our subsidiaries, such contract not being made in contemplation of the Invitation nor the Invitation in consequence of the contract.
36. Save as disclosed in the sections entitled “Capitalisation and Indebtedness” and “Interested Person Transactions”, other than OCBC Bank’s role as Manager, Underwriter, Placement Agent, Principal Banker and Receiving Bank in connection with the Invitation, we do not have any material relationship with OCBC Bank.

GENERAL AND STATUTORY INFORMATION

CONSENT

37. LTC & Associates have given and have not withdrawn their written consent to the issue of this Prospectus with the inclusion herein of their name, the “Independent Auditors’ Report and Unaudited Pro Forma Group Financial Information for FY2002, FY2003 and FY2004”, the “Report from the Independent Auditors in relation to the Unaudited Interim Financial Information for the six months ended 31 December 2004” and the “Audited Financial Statements for Union Steel Pte. Ltd., YLS Steel Pte Ltd and Yew Lee Seng Metal Pte Ltd”, in the form and context in which they appear in this Prospectus and references to their name and such reports and financial statements in the form and context in which they appear in this Prospectus and to act in such capacity in relation to this Prospectus.
38. OCBC Bank, Venture Law LLC, the Share Registrar and Share Transfer Agent, the Receiving Bank and the Principal Banker do not make, or purport to make, any statement in this Prospectus or any statement upon which a statement in this Prospectus is based and, to the maximum extent permitted by law, expressly disclaim and take no responsibility for any liability to any person which is based on, or arises out of, the statements, information or opinions in this Prospectus.

RESPONSIBILITY STATEMENT BY OUR DIRECTORS AND THE VENDORS

39. This Prospectus has been seen and approved by our Directors and the Vendors and they collectively and individually accept full responsibility for the accuracy of the information given herein and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and the opinions expressed in this Prospectus are fair and accurate in all material respects as at the date of this Prospectus and that there are no other material facts the omission of which would make any statement in this Prospectus misleading, and that this Prospectus constitutes full and true disclosure of all material facts about the Invitation and our Company and our subsidiaries.

DOCUMENTS AVAILABLE FOR INSPECTION

40. The following documents or copies thereof may be inspected at our registered office at 33 Pioneer Road North Singapore 628474 during normal business hours for a period of six months from the date of registration by the Authority of this Prospectus:
- (a) the Memorandum of Association and the Articles of Association of our Company;
 - (b) the material contract referred to in paragraph 20 above;
 - (c) the letter of consent referred to in paragraph 37 above;
 - (d) the Independent Auditors’ Report and Unaudited Pro Forma Group Financial Information for FY2002, FY2003 and FY2004 as set out in Appendix IV of this Prospectus;
 - (e) the Report from the Independent Auditors in relation to the Unaudited Interim Financial Information for the six months ended 31 December 2004 as set out in Appendix V of this Prospectus;
 - (f) the Audited Financial Statements for Union Steel Pte. Ltd., YLS Steel Pte Ltd and Yew Lee Seng Metal Pte Ltd as set out in Appendix VI of this Prospectus; and
 - (g) the service agreements as described in the section entitled “Service Agreements”.

APPENDIX I

GOVERNMENT REGULATIONS

GOVERNMENT REGULATIONS

We are subject to all relevant laws and regulations of Singapore where our business operations are based. In particular, we are subject to the environmental regulations imposed by the National Environment Agency. As at the Latest Practicable Date, we have not violated any regulations or conditions imposed under the licences and permits issued to us by the relevant Singapore government authorities. The licences and permits material to our business and which we have obtained are as follows:

Type of licence/permit	Regulation licence/permit is issued under	Act licence/permit is pursuant to
Toxic Industrial Waste Collector	The Environment Public Health (Toxic Industrial Waste) Regulations	Environmental Public Health Act
General Waste Collector (Class A)	The Environmental Public Health (General Waste Collection) Regulations	Environmental Public Health Act
Permit To Dispose Of Asbestos Wastes At the Semakau Landfill	The Environmental Public Health (General Waste Collection) Regulations	Environmental Public Health Act
Permit To Store And Use Hazardous Substances	The Environmental Pollution Control (Hazardous Substances) Regulations	Environmental Pollution Control Act
Certificate of Registration of Factory	Factories (Registration and Other Services – Fees and Forms) Regulations	Factories Act
Second-Hand Dealer's Licence	Second-Hand Dealers (Fees and Forms) Rules	Second-Hand Dealers Act
Permit to Carry Out Structural Works	Building Control Regulations 2003	Building Control Act

Please refer to the section entitled “General Information On Our Group – Licences and Approvals” for more details on our licences and permits.

The licences and permits issued to us under the Environmental Public Health Act, the Environmental Pollution Control Act and the Factories Act have to be renewed on an annual basis and the licences issued to us under the Second-Hand Dealers Act have to be renewed at the beginning of each calendar year. Upon the expiration of our licences and permits, our Directors understand that the licences and permits may be renewed if, at the time of application for renewal, we are in compliance with the applicable regulations governing the renewal of the relevant licence or permit. Our Directors believe that we are in compliance with all relevant regulations. We have not previously encountered problems in the renewal of our licences and permits since we first obtained our licences and permits. As at the Latest Practicable Date, we are not aware of any reason which will cause any of our licences and permits to be revoked.

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GOVERNMENT REGULATIONS

The main laws and regulations that affect our operations and the relevant regulatory bodies are as follows:

1. ENVIRONMENTAL PUBLIC HEALTH ACT

Toxic industrial waste control

The management of toxic industrial waste in Singapore is regulated by the Environmental Public Health Act and the Environmental Public Health (Toxic Industrial Waste) Regulations which are administered and enforced by the Pollution Control Department. The Environmental Public Health (Toxic Industrial Waste) Regulations regulate the receipt, collection, import, transport, treatment, disposal, sale and supply of wastes. In addition, a committee formed by the National Environment Agency issues a non-statutory code of practice which licensed toxic waste collectors comply with. The code of practice provides guidelines on toxic industrial waste management.

Under the terms of our toxic waste collector licence, we are licensed to receive, accept, store, reprocess, use, treat or dispose of the following waste materials:

- (a) all waste materials containing polyvinylchloride; and
- (b) drained waste lead acid batteries.

Our toxic industrial waste collector licence is valid for a period of one year from its date of issue and has to be renewed annually.

General Waste

The management of general waste in Singapore is regulated by the Environmental Public Health Act and the Environmental Public Health (General Waste Collection) Regulations which are administered and enforced by the Pollution Control Department. In addition, a committee formed by the National Environment Agency issues a non-statutory code of practice which licensed general waste collectors comply with. This code of practice provides guidelines on waste collection management.

We have general waste collector (Class A) licences which allow us to collect or transport general waste which includes ferrous metals, non-ferrous metals, unwanted electrical appliances and carton boxes. Our licences are each valid for a period of one year from their date of issue and have to be renewed annually.

We have obtained written permission from the Pollution Control Department to dispose of asbestos wastes at the Semakau Landfill. Our written permission is valid for a period of one year from its date of issue and has to be renewed annually. The written permission is subject to our compliance with the provisions in the Environmental Public Health Act and its regulations and the following conditions:

- (a) we are required to comply with guidelines on the disposal of asbestos wastes issued by the Pollution Control Department;
- (b) we are required to obtain prior approval from the Occupational Health Department of the Ministry of Manpower before carrying out any disposal of asbestos wastes at the Semakau Landfill;
- (c) we are required to ensure that all asbestos wastes that are not transported to the Semakau Landfill are stored at our premises in a safe and proper manner;
- (d) we are required to register with the Singapore National Environment Agency all our consignments to dispose of asbestos wastes; and

APPENDIX I

GOVERNMENT REGULATIONS

- (e) we are required to submit a monthly report providing details on the collection, processing and disposal of asbestos wastes at the Semakau Landfill by us to the National Environment Agency.

2. ENVIRONMENTAL POLLUTION CONTROL ACT

Air, water and noise pollution and hazardous substance control in Singapore is regulated by the Environmental Pollution Control Act, the Environmental Pollution Control (Air Impurities) Regulations, the Environmental Pollution Control (Trade Effluent) Regulations and the Environmental Pollution Control (Hazardous Substances) Regulations.

Air pollution control

Under the Environmental Pollution Control Act and the Environmental Pollution Control (Air Impurities) Regulations, industrial and trade premises are not allowed to emit air impurities (such as smoke, gases, fumes and odours) in excess of the emission standards set by the Environmental Pollution Control (Air Impurities) Regulations.

To comply with emission standards set by the Environmental Pollution Control (Air Impurities) Regulations, all exhaust gases from our mechanical recycling process and demolition works are passed through a combustion chamber for further combustion into non-toxic gases. The discharge level is monitored by a 24-hour online control system.

Water pollution control

Under the Environmental Pollution Control Act and the Environmental Pollution Control (Trade Effluent) Regulations, industrial waste water must be treated to specified standards before discharge into a sewer or water course (if the public sewer is not available). Written permission must be obtained from the Pollution Control Department in order to discharge any trade effluent (i.e. any liquid produced in the course of or is the waste of any trade, business or manufacture or of any building) directly into the public sewer for which a tariff is payable.

Hazardous substances control

The control of hazardous substances is governed by the Environmental Pollution Control Act and the Environmental Pollution Control (Hazardous Substances) Regulations. A licence is required to import, sell, export, purchase, store and/or use any hazardous substance controlled under the Environmental Pollution Control Act. A permit is required to purchase, store and/or use hazardous substances controlled under the Environmental Pollution Control (Hazardous Substances) Regulations. Certain chemicals used in the laboratories of our Company for the purpose of analysis and for metal recovery are hazardous substances controlled under the Environmental Pollution Control Act. Our Company holds the necessary licences issued by the Pollution Control Department which has to be renewed annually to enable us to purchase, store and sell these chemicals.

3. FACTORIES ACT

Premises used as factories are required to be registered under the Factories Act. The Occupational Safety Department of the Ministry of Manpower is responsible for the registration of factories. Applications for registration must be made to the Chief Inspector of Factories at least one month before the operation of a factory. The Chief Inspector of Factories will issue a certificate of registration to the occupier on being satisfied that the premises are suitable for use as a factory. If the premises have become unfit for occupation as a factory, the Chief Inspector of Factories may issue a notice to the occupier to comply with such requirements as may be specified in the notice. If the occupier fails to comply with the requirements in the notice, the registration of the factory may be revoked.

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We have obtained certificates of registration of factories for the properties at 30 Tuas South Avenue 8 Singapore 637653, 4 Pioneer Sector 1 Singapore 628416, 1 Wan Shih Road Lot A12793 Singapore 627900, 76 Joo Koon Circle Singapore 629096, 31 Pioneer Road North Singapore 628472, 33 Pioneer Road North Singapore 628474, 14 Defu Lane 11 Singapore 539170 and Jalan Samulun Singapore 629120. The certificates of registration issued by the Chief Inspector of Factories to us are each valid for a period of one year from its date of issue. These certificates are renewable annually upon payment of the prescribed fees.

Besides providing for the registration of factories, the Factories Act also lays down the standards which must be observed for the safety, health and welfare of persons employed in a factory and the penalties for contravening or failing to comply with the standards. The Occupational Safety Department of the Ministry of Manpower is responsible for administering and enforcing the standards.

4. SECOND-HAND DEALERS ACT

The licensing and control of dealers in second-hand goods are regulated by the Second-Hand Dealers Act. A licence is required to import, sell, export, purchase, store and use any second-hand goods controlled under the Second-Hand Dealers Act. Our Company, through our employee representatives, holds the necessary licences issued by the Singapore Police Force. These licences have to be renewed at the beginning of each calendar year to enable us to purchase, store and sell these second-hand goods.

5. BUILDING CONTROL ACT

Persons must first apply to the Commissioner of Building Control for a permit to carry out structural works before they may commence works on the structural elements of a building. A permit to carry out structural works must be applied jointly by (a) the applicant, i.e. the building owner or developer; (b) the qualified persons (i.e. an architect or professional engineer) and (c) the builder who will carry out the structural works.

The Commissioner of Building Control may revoke a permit to carry out any structural works if (a) the structural works, if commenced, are suspended for a continuous period of more than three months; or (b) the structural works have been or are being carried out in such a manner so as to cause a risk of injury to any person or damage to any property or a risk of total or partial collapse of any building or street.

APPENDIX II

DESCRIPTION OF ORDINARY SHARES

The following statements are brief summaries of the rights and privileges of our Shareholders conferred by the laws of Singapore and the Articles of Association (the “Articles”) of our Company. These statements summarise the material provisions of the Articles but are qualified in entirety by reference to the Articles.

Ordinary Shares

All of our Shares are in registered form. We may, subject to the provisions of the Act and the rules of the SGX-ST, purchase our own Shares. However, we may not, except in circumstances permitted by the Act, grant any financial assistance for the acquisition or proposed acquisition of our Shares.

New Shares

New Shares may only be issued with the prior approval in a general meeting of the shareholders of our Company. The aggregate number of Shares to be issued pursuant to such approval may not exceed 50% (or such other limit as may be prescribed by the SGX-ST) of our issued share capital for the time being, of which the aggregate number of Shares to be issued other than on a *pro-rata* basis to our Shareholders may not exceed 20% (or such other limit as may be prescribed by the SGX-ST) of our issued share capital for the time being. The approval, if granted, will lapse at the conclusion of the annual general meeting following the date on which the approval was granted or the date by which the annual general meeting is required by law to be held, whichever is the earlier. Subject to the foregoing, the provisions of the Act and any special rights attached to any class of shares currently issued and all new Shares are under the control of our Board of Directors who may allot and issue the same with such rights and restrictions as it may think fit.

Shareholders

Only persons who are registered in the register of shareholders of our Company and, in cases in which the person so registered is CDP, the persons named as the depositors in the depository register maintained by CDP for the Shares, are recognised as the shareholders of our Company. Our Company will not, except as required by law, recognise any equitable, contingent, future or partial interest in any Share or other rights for any Share other than the absolute right thereto of the registered holder of that Share. We may close the register of shareholders for any time or times if we provide the SGX-ST at least 10 clear market days’ notice. However, the register may not be closed for more than 30 days in aggregate in any calendar year. We typically close the register to determine our Shareholders’ entitlement to receive dividends and other distributions.

Transfer of Shares

There is no restriction on the transfer of fully paid Shares except where required by law or the listing rules or the rules or by-laws of any stock exchange on which our Company is listed. Our Board of Directors may decline to register any transfer of Shares which are not fully paid Shares or Shares on which we have a lien. Shares may be transferred by a duly signed instrument of transfer in a form approved by any stock exchange on which our Company is listed. Our Board of Directors may also decline to register any instrument of transfer unless, among other things, it has been duly stamped and is presented for registration together with the share certificate and such other evidence of title as they may require. We will replace lost or destroyed certificates for Shares if we are properly notified and if the applicant pays a fee which will not exceed S\$2 and furnishes any evidence and indemnity that our Board of Directors may require.

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General Meeting of Shareholders

We are required to hold an annual general meeting every year. Our Board of Directors may convene an Extraordinary General Meeting whenever it thinks fit and must do so if Shareholders representing not less than 10% of the total voting rights of all Shareholders request in writing that such a meeting be held. In addition, two or more Shareholders holding not less than 10% of our issued share capital may call a meeting. Unless otherwise required by law or by the Articles, voting at general meetings is by ordinary resolution, requiring an affirmative vote of a simple majority of the votes cast at the meeting. An ordinary resolution suffices, for example, for the appointment of Directors. A special resolution, requiring the affirmative vote of at least 75% of the votes cast at the meeting, is necessary for certain matters under Singapore law, including voluntary winding up, amendments to the Memorandum of Association and the Articles, a change of the corporate name and a reduction in the share capital, share premium account or capital redemption reserve fund. Our Company must give at least 14 days' notice in writing for every general meeting convened for the purpose of passing an ordinary resolution. Special resolutions generally require at least 21 days' notice in writing. The notice must set forth the place, the day and the hour of the meeting and, in the case of special business, the general nature of that business.

Voting Rights

A shareholder is entitled to attend, speak and vote at any general meeting in person or by proxy. Proxies need not be a shareholder. A person who holds Shares through the SGX-ST book-entry settlement system will only be entitled to vote at a general meeting as a shareholder if his name appears on the depository register maintained by CDP 48 hours before the general meeting. Except as otherwise provided in the Articles, two or more Shareholders must be present in person or by proxy to constitute a quorum at any general meeting. Under the Articles, on a show of hands, every shareholder present in person and by proxy shall have one vote, and on a poll, every shareholder present in person or by proxy shall have one vote for each Share which he holds or represents. A poll may be demanded in certain circumstances, including by our Executive Chairman of the meeting or by any shareholder present in person or by proxy and representing not less than 10% of the total voting rights of all Shareholders having the right to attend and vote at the meeting or any two Shareholders present in person or by proxy and entitled to vote.

Dividends

Our Company may, by ordinary resolution of our Shareholders, declare dividends at a general meeting, but we may not pay dividends in excess of the amount recommended by our Board of Directors. We must pay all dividends out of our profits; however, we may capitalise our share premium account and apply it to pay dividends, if such dividends are satisfied by the issue of Shares to our Shareholders. See "Bonus and Rights Issue". Our Board of Directors may also declare an interim dividend without the approval of our Shareholders. All dividends are paid pro rata among our Shareholders in proportion to the amount paid up on each shareholder's Shares, unless the rights attaching to an issue of any Share provides otherwise. Unless otherwise directed, dividends are paid by cheque or warrant sent through the post to each shareholder at his registered address. Notwithstanding the foregoing, the payment by our Company to CDP of any dividend payable to a shareholder whose name is entered in the depository register shall, to the extent of payment made to CDP, discharge us from any liability to that shareholder in respect of that payment.

Bonus and Rights Issues

Our Board of Directors may, with approval of our Shareholders at a general meeting, capitalise any reserves or profits (including profit or monies carried and standing to any reserve or to the share premium account) and distribute the same as bonus shares credited as paid-up to our Shareholders in proportion to their shareholdings. Our Board of Directors may also issue rights to take up additional Shares to our Shareholders in proportion to their shareholdings. Such rights are subject to any conditions attached to such issue and the regulations of any stock exchange on which we are listed.

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Takeovers

From 1 January 2002, a revised Singapore Code on Take-overs and Mergers ("Revised Take-over Code") issued by the Monetary Authority of Singapore pursuant to Section 321 of the Securities and Futures Act has come into effect. Under the Revised Take-over Code, any person acquiring an interest, either on his own or together with persons acting in concert with him, in 30% (instead of 25% under the Singapore Take-over Code) or more of our voting shares must extend a takeover offer for the remaining voting shares in accordance with the provisions of the Revised Take-over Code. In addition, a mandatory takeover offer is also required to be made if a person holding, either on his own or together with persons acting in concert with him, between 30% and 50% of the voting shares acquires additional voting shares representing more than 1% of the voting shares in any 6-month period.

Under the Revised Take-over Code, the following individuals and companies will be presumed to be persons acting in concert with each other unless the contrary is established:

- (a) the following companies:
 - (i) a company;
 - (ii) the parent company of (i);
 - (iii) the subsidiaries of (i);
 - (iv) the fellow subsidiaries of (i);
 - (v) the associated companies of any of (i), (ii), (iii) or (iv); and
 - (vi) companies whose associated companies include any of (i), (ii), (iii), (iv) or (v);
- (b) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts);
- (c) a company with any of its pension funds and employee share schemes;
- (d) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;
- (e) a financial or other professional adviser, including a stockbroker, with its client in respect of the shareholdings of:
 - (i) the adviser and persons controlling, controlled by or under the same control as the adviser; and
 - (ii) all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total 10% or more of the client's equity share capital;
- (f) directors of a company (together with their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for their company may be imminent;
- (g) partners; and

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DESCRIPTION OF ORDINARY SHARES

- (h) the following persons and entities:
 - (i) an individual;
 - (ii) the close relatives of (i);
 - (iii) the related trusts of (i);
 - (iv) any person who is accustomed to act in accordance with the instructions of (i); and
 - (v) companies controlled by any of (i), (ii), (iii), or (iv).

Under the Revised Take-over Code, a mandatory offer made with consideration other than cash must be accompanied by a cash alternative at not less than the highest price paid by the offeror or any person acting in concert with the offeror within the preceding 6 months.

Liquidation or Other Return of Capital

If our Company liquidates or in the event of any other return of capital, holders of Shares will be entitled to participate in any surplus assets in proportion to their shareholdings, subject to any special rights attaching to any other class of shares.

Indemnity

As permitted by Singapore law, the Articles provide that, subject to the Act, our Board of Directors and officers shall be entitled to be indemnified by our Company against any liability incurred in defending any proceedings, whether civil or criminal, which relate to anything done or omitted to have been done as an officer, director or employee and in which judgment is given in their favour or in which they are acquitted or in connection with any application under any statute for relief from liability in respect thereof in which relief is granted by the court. We may not indemnify Directors and officers against any liability which by law otherwise attach to them in respect of any negligence, default, breach of duty or breach of trust of which they may be guilty in relation to our Company.

Limitations on Rights to Hold or Vote on Shares

Except as described in “Voting Rights” and “Takeovers” above, there are no limitations imposed by Singapore law or by the Articles on the rights of non-resident Shareholders to hold or vote on Shares.

Minority Rights

The rights of minority shareholders of Singapore-incorporated companies are protected under Section 216 of the Act, which gives the Singapore courts a general power to make any order, upon application by any of our Shareholders, as they think fit to remedy any of the following situations:

- (a) the affairs of our Company are being conducted or the powers of our Board of Directors are being exercised in a manner oppressive to, or in disregard of the interests of, one or more of our Shareholders; or
- (b) our Company takes an action, or threatens to take an action, or our Shareholders pass a resolution, or propose to pass a resolution, which unfairly discriminates against, or is otherwise prejudicial to, one or more of our Shareholders, including the applicant. Singapore courts have wide discretion as to the reliefs they may grant and those reliefs are in no way limited to those listed in the Act itself. Without prejudice to the foregoing, Singapore courts may:
 - (i) direct or prohibit any act or cancel or vary any transaction or resolution;
 - (ii) regulate the conduct of the affairs of our Company in the future;

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DESCRIPTION OF ORDINARY SHARES

- (c) authorise civil proceedings to be brought in our name, or on our behalf, by a person or persons and on such terms as the court may direct;
- (d) provide for the purchase of a minority Shareholder's Shares by the other Shareholders or by our Company and, in the case of a purchase of Shares by our Company, a corresponding reduction of our share capital;
- (e) provide that the Memorandum of Association or the Articles be amended; or
- (f) provide that our Company be wound up.

APPENDIX III

SUMMARY OF MEMORANDUM OF ASSOCIATION AND SELECTED ARTICLES OF OUR COMPANY

The description below provides, among other things, information on the principal objects of our Company as set out in our Memorandum and Articles of Association and a summarised version of the main provisions in our Articles of Association which relate to our Directors' borrowing powers and remuneration, our Directors' retirement and restrictions on voting powers of our Directors in interested transactions. It also describes our Shareholders' voting rights, restrictions on the transferability of shareholdings and our Shareholders' rights to share in any surplus in the event of liquidation. This description is only a summary and is qualified by reference to Singapore law and our Memorandum and Articles of Association.

MEMORANDUM OF ASSOCIATION AND REGISTRATION NUMBER

We are registered in Singapore with the Registrar of the Accounting and Corporate Regulatory Authority of Singapore. Our company registration number is 200410181W. Our Memorandum of Association sets out the objects for which our Company was formed, including acting as a holding and investment company, and the powers of our Company.

SUMMARY OF OUR ARTICLES OF ASSOCIATION

1. Directors

(a) Ability of interested Directors to vote

A Director shall not vote in respect of any contract, proposed contract or arrangement or any other proposal in which he has any personal material interest, and he shall not be counted in the quorum present at the meeting.

(b) Remuneration

Fees payable to Non-Executive Directors shall be a fixed sum (not being a commission on or a percentage of profits or turnover of the Company) as shall from time to time be determined by our Company in general meeting. Fees payable to our Directors shall not be increased except at a general meeting convened by a notice specifying the intention to propose such increase.

Any Director who holds any executive office, or who serves on any committee of the Directors, or who performs services outside the ordinary duties of a Director, may be paid extra remuneration by way of salary, commission or otherwise, as the Directors may determine.

The remuneration of the Chief Executive Officer shall be fixed by the Directors and may be by way of salary or commission or participation in profits or by any or all of these modes but shall not be by a commission on or a percentage of turnover. Our Directors shall have power to pay pensions or other retirement, superannuation, death or disability benefits to (or to any person in respect of) any Director for the time being holding any executive office and for the purpose of providing any such pensions or other benefits, to contribute to any scheme or fund or to pay premiums.

(c) Borrowing

Our Directors may exercise all the powers of our Company to raise or borrow money, to mortgage or charge its undertaking, property and uncalled capital, and to secure any debt, liability or obligation of our Company.

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SUMMARY OF MEMORANDUM OF ASSOCIATION AND SELECTED ARTICLES OF OUR COMPANY

(d) Retirement Age Limit

There is no retirement age limit for our Directors under our Articles of Association. Section 153(1) of the Companies Act however, provides that no person of or over the age of 70 years shall be appointed a director of a public company, unless he is appointed or re-appointed as a director of the Company or authorised to continue in office as a director of the Company by way of an ordinary resolution passed at an annual general meeting of the Company.

(e) Shareholding Qualification

There is no shareholding qualification for Directors in the Memorandum and Articles of Association of our Company.

2. Share rights and restrictions

Our Company currently has one class of shares, namely, ordinary shares. Only persons who are registered on our register of shareholders and in cases in which the person so registered is CDP, the persons named as the depositors in the depository register maintained by CDP for the ordinary shares, are recognised as our Shareholders.

(a) Dividends and distribution

We may, by ordinary resolution of our Shareholders, declare dividends at a general meeting, but we may not pay dividends in excess of the amount recommended by our Board of Directors. We must pay all dividends out of our profits; however, we may capitalise our share premium account and apply it to pay dividends, if such dividends are satisfied by the issue of shares to our Shareholders. All dividends are paid pro-rata amongst our Shareholders in proportion to the amount paid up on each shareholder's ordinary shares, unless the rights attaching to an issue of any ordinary share provide otherwise. Unless otherwise directed, dividends are paid by cheque or warrant sent through the post to each shareholder at his registered address. Notwithstanding the foregoing, the payment by us to CDP of any dividend payable to a shareholder whose name is entered in the depository register shall, to the extent of payment made to CDP, discharge us from any liability to that shareholder in respect of that payment.

The payment by our Directors of any unclaimed dividends or other monies payable on or in respect of a share into a separate account shall not constitute our Company a trustee in respect thereof. All dividends unclaimed after being declared may be invested or otherwise made use of by our Directors for the benefit of our Company. Any dividend unclaimed after a period of six (6) years after having been declared may be forfeited and shall revert to our Company but our Directors may thereafter at their discretion annul any such forfeiture and pay the dividend so forfeited to the person entitled thereto prior to the forfeiture.

Our Directors may retain any dividends or other monies payable on or in respect of a share on which our Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

(b) Voting rights

A holder of our ordinary shares is entitled to attend, speak and vote at any general meeting, in person or by proxy. Proxies need not be a shareholder. A person who holds ordinary shares through the SGX-ST book-entry settlement system will only be entitled to vote at a general meeting as a shareholder if his name appears on the depository register maintained by CDP 48 hours before the general meeting. Except as otherwise provided in our Articles of Association, two or more Shareholders must be present in person or by proxy to constitute a quorum at any general meeting. Under our Articles of Association, on a show of

APPENDIX III

SUMMARY OF MEMORANDUM OF ASSOCIATION AND SELECTED ARTICLES OF OUR COMPANY

hands, every Shareholder present in person and by proxy shall have one vote, and on a poll, every Shareholder present in person or by proxy shall have one vote for each ordinary share which he holds or represents. A poll may be demanded in certain circumstances, including by the Chairman of the meeting or by any Shareholder present in person or by proxy and representing not less than 10 per cent. of the total voting rights of all Shareholders having the right to attend and vote at the meeting or by any two Shareholders present in person or by proxy and entitled to vote. In the case of a tie vote, whether on a show of hands or a poll, the Chairman of the meeting shall be entitled to a casting vote.

3. Change in capital

Changes in the capital structure of our Company (for example, an increase, consolidation, cancellation, sub-division or conversion of our share capital) require Shareholders to pass an ordinary resolution. Ordinary resolutions generally require at least 14 days' notice in writing. The notice must be given to each of our Shareholders who have supplied us with an address in Singapore for the giving of notices and must set forth the place, the day and the hour of the meeting. However, we are required to obtain our Shareholders' approval by way of a special resolution for any reduction of our share capital, redemption reserve, fund or any share premium account or other undistributable reserve, subject to the conditions prescribed by law.

4. Variation of rights of existing shares or classes of shares

Subject to the Companies Act, whenever the share capital of our Company is divided into different classes of shares, the special rights attached to any class may be varied or abrogated either with the consent in writing of the holders of three-quarters in nominal value of the issued shares of the class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class. To every such separate general meeting the provisions of our Articles of Association relating to general meetings of our Company and to the proceedings thereat shall mutatis mutandis apply, except that the necessary quorum shall be two persons at least holding or representing by proxy at least one-third in nominal value of the issued shares of the class, and that any holder of shares of the class present in person or by proxy may demand a poll and that every such holder shall on a poll have one vote for every share of the class held by him, provided always that where the necessary majority for such a special resolution is not obtained at such general meeting, consent in writing if obtained from the holders of three-quarters in nominal value of the issued shares of the class concerned within two months of such general meeting shall be as valid and effectual as a special resolution carried at such general meeting. These provisions shall apply to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the special rights whereof are to be varied or abrogated.

The relevant Article does not impose more significant conditions than the Companies Act in this regard.

5. Limitations on foreign or non-resident Shareholders

There are no limitations imposed by Singapore law or by our Articles of Association on the rights of our Shareholders who are regarded as non-residents of Singapore, to hold or vote their shares.

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INDEPENDENT AUDITORS' REPORT AND UNAUDITED PRO FORMA GROUP
FINANCIAL INFORMATION FOR FY2002, FY2003 AND FY2004

2 August 2005

The Board of Directors
Union Steel Holdings Limited
33 Pioneer Road North
Singapore 628474

Dear Sirs

**INDEPENDENT AUDITORS' REPORT ON
THE UNAUDITED PRO FORMA GROUP FINANCIAL INFORMATION**

This Report has been prepared for inclusion in the Prospectus dated 2 August 2005 in connection with the invitation by Union Steel Holdings Limited (the "Company") to the public to subscribe 89,000,000 ordinary shares of \$0.06 each in the capital of the Company.

We report on the unaudited pro forma group financial information of Union Steel Holdings Limited and its subsidiaries (collectively referred to the "Group") set out on pages IV-3 to IV-25 of the Prospectus dated 2 August 2005 which have been prepared, for illustrative purposes only, based on certain assumptions and after making certain adjustments to show what:

- (a) the financial results of the Group for the financial years ended 30 June 2002, 2003 and 2004 would have been if the group structure as of the date of lodgement of the Prospectus had been in place since the beginning of the years being reported on; and
- (b) the financial position of the Group as at 30 June 2004, changes in equity and cash flows of the Group for the financial year ended on that date would have been if the group structure as of the date of lodgement of the Prospectus had been in place on that date.

The unaudited pro forma group financial information, because of their nature, may not give a true picture of the Group's actual financial position, results, changes in equity or cash flows.

The unaudited pro forma group financial information are the responsibility of the directors of the Company. Our responsibility is to express an opinion on the unaudited pro forma group financial information based on our work.

We carried out our procedures in accordance with Singapore Statement of Auditing Practice SAP 24: "Auditors and Public Offering Documents". Our work, which involved no independent examination of the underlying financial statements, consisted primarily of comparing the unaudited pro forma group financial information to the audited financial statements of each entity in the Group, considering the evidence supporting the adjustments and discussing the unaudited pro forma group financial information with the directors of the Company.

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In our opinion,

- (a) the unaudited pro forma financial information of the Group for the financial years ended 30 June 2002, 2003 and 2004 have been properly prepared:
 - (i) in a manner consistent with both the format of the financial statements and the accounting policies of the entities in the Group which are in accordance with Singapore Financial Reporting Standards; and
 - (ii) on the basis stated in Notes 2 subnote (b) and (c) and 3 to the unaudited pro forma group financial information; and
- (b) each material adjustment made to the information used in the preparation of the unaudited pro forma group financial information is appropriate for the purpose of preparing such unaudited pro forma group financial information.

Yours faithfully

LTC & Associates

Certified Public Accountants
Singapore

Wong Pooi Khim
Partner

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UNION STEEL HOLDINGS LIMITED

PRO FORMA INCOME STATEMENTS OF THE GROUP
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2002, 2003 AND 2004

	<u>Note</u>	<u>2002</u> S\$'000	<u>2003</u> S\$'000	<u>2004</u> S\$'000
Revenue	5	58,782	86,327	112,069
Cost of sales		(50,238)	(72,581)	(92,340)
Gross profit		8,544	13,746	19,729
Other operating income	6	1,153	993	1,895
		9,697	14,739	21,624
Distribution costs		(3,320)	(3,673)	(4,208)
Administrative expenses		(4,097)	(4,249)	(4,331)
Other operating expenses		—	(326)	(691)
Profit from operations	7	2,280	6,491	12,394
Finance cost	8	(563)	(523)	(460)
Profit before taxation		1,717	5,968	11,934
Taxation	10	(339)	(1,375)	(2,427)
Net profit for the financial year		<u>1,378</u>	<u>4,593</u>	<u>9,507</u>
Basic earnings per share (cents)	11	<u>0.51</u>	<u>1.69</u>	<u>3.49</u>

See accompanying notes to the unaudited pro forma group financial information

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UNION STEEL HOLDINGS LIMITED

PRO FORMA BALANCE SHEET OF THE GROUP
AS AT 30 JUNE 2004

	<u>Note</u>	<u>2004</u> S\$'000
Non-current assets		
Property, plant and equipment	12	17,675
Current assets		
Stocks	13	12,233
Trade debtors	14	8,725
Other debtors and prepayments	15	680
Cash and bank balances		7,051
		<u>28,689</u>
Current liabilities		
Bills payable, bank overdrafts and loans	16	9,508
Obligations under hire purchase contracts	17	950
Trade creditors	18	4,310
Other creditors	19	478
Provision for taxation		4,098
		<u>19,344</u>
Net current assets		<u>9,345</u>
Non-current liabilities		
Bank loans	16	2,980
Obligations under hire purchase contracts	17	512
Deferred taxation	20	202
		<u>3,694</u>
Net assets		<u>23,326</u>
Represented by:		
Pro Forma Shareholders' equity		<u>23,326</u>

See accompanying notes to the unaudited pro forma group financial information

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UNION STEEL HOLDINGS LIMITED

PRO FORMA STATEMENT OF CHANGES IN EQUITY OF THE GROUP
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

Pro Forma Group Shareholders' Equity

	<u>2004</u> S\$'000
Balance as at 1 July 2003	13,819
Net profit for the financial year	<u>9,507</u>
Balance as at 30 June 2004	<u><u>23,326</u></u>

See accompanying notes to the unaudited pro forma group financial information

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UNION STEEL HOLDINGS LIMITED

PRO FORMA CASH FLOW STATEMENT OF THE GROUP
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

	2004 S\$'000
Cash flows from operating activities: -	
Profit before taxation	11,934
Adjustments for:	
Depreciation of property, plant and equipment	2,213
Gain on disposal of plant and equipment	(440)
Interest expense	460
	<hr/>
Operating profit before working capital changes	14,167
Increase in stocks	(6,749)
Decrease in trade debtors	174
Increase in other debtors and prepayments	(579)
Increase in trade creditors	157
Decrease in other creditors	(675)
	<hr/>
Cash generated from operations	6,495
Income tax paid	(410)
Interest paid	(460)
	<hr/>
Net cash generated from operating activities	5,625
	<hr/>
Cash flows from investing activities: -	
Purchase of property, plant and equipment	(2,788)
Proceeds from disposal of plant and equipment	591
Repayment of hire purchase contracts	(1,320)
	<hr/>
Net cash used in investing activities	(3,517)
	<hr/>
Cash flows from financing activities: -	
Funds from short term bank loan	900
Increase in bills payable	2,124
Repayment of long-term bank loan	(487)
Dividends paid to Group shareholders	(780)
	<hr/>
Net cash from financing activities	1,757
	<hr/>
Net increase in cash and cash equivalents	3,865
Cash and cash equivalents at beginning of the financial year	517
	<hr/>
Cash and cash equivalents at end of the financial year	4,382
	<hr/> <hr/>
Cash and cash equivalents comprise:	
Cash and bank balances	7,051
Bank overdrafts (Note 16)	(2,669)
	<hr/>
	4,382
	<hr/> <hr/>

See accompanying notes to the unaudited pro forma group financial information

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UNION STEEL HOLDINGS LIMITED

NOTES TO THE UNAUDITED PRO FORMA GROUP FINANCIAL INFORMATION
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2002, 2003 AND 2004

The unaudited pro forma group financial information of Union Steel Holdings Limited for the financial years ended 30 June 2002, 2003 and 2004 have been prepared for inclusion in the Prospectus in connection with the invitation to the public to subscribe 89,000,000 ordinary shares of \$0.06 each in the capital of the Company.

These notes form an integral part of and should be read in conjunction with the accompanying unaudited pro forma group financial information.

1. GENERAL

The Company was incorporated in the Republic of Singapore on 12 August 2004 under the Singapore Companies Act as a private limited company under the name of Union Steel Holdings Pte. Ltd. The Company was converted into a public limited company and the name of the Company changed to "Union Steel Holdings Limited" on 29 June 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 the subsidiaries in the Group are stated in Note 2.

2. RESTRUCTURING EXERCISE

On 28 June 2005, the Company acquired YLS Steel Pte Ltd, Yew Lee Seng Metal Pte Ltd and Union Steel Pte. Ltd. as part of the restructuring exercise described on page 43 of the Prospectus (the "Restructuring Exercise").

Upon the completion of the Restructuring Exercise, the Company has the following subsidiaries: -

<u>Name of subsidiaries held by the Company</u>	<u>Principal activities</u>	<u>Date and place of incorporation and operation</u>	<u>Issued and paid-up capital</u> S\$	<u>Effective equity interest held by the Company</u> %
YLS Steel Pte Ltd (formerly known as Yew Lee Seng Steel Construction Pte Ltd)	Recycling of scrap metals, trading of steel products, waste collection and management, car scrapping services and rental of steel plates	19 January 1984 Singapore	9,000,000	100
Yew Lee Seng Metal Pte Ltd	Demolition of buildings and trading of ferrous and non-ferrous scrap metals	9 July 1988 Singapore	120,000	100
Union Steel Pte. Ltd.	Recycling of non-ferrous metals and stainless steel.	23 November 1991 Singapore	1,000,000	100

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2. RESTRUCTURING EXERCISE (Cont'd)

The statutory auditors of the subsidiaries for the relevant periods under review are as follows:-

<u>Name of subsidiary</u>	<u>Auditors</u>	<u>Financial year/period</u>
YLS Steel Pte Ltd	LTC & Associates, Singapore, a member of the Institute of Certified Public Accountants of Singapore	Financial period from 1 May 2003 to 30 June 2004 (a), (b)
	Chan Kok Poh & Company, Singapore, a member of the Institute of Certified Public Accountants of Singapore	Financial years ended 30 April 2002 and 2003 (b)
Yew Lee Seng Metal Pte Ltd	LTC & Associates, Singapore, a member of the Institute of Certified Public Accountants of Singapore	Financial year ended 30 June 2004
	Chan Kok Poh & Company, Singapore, a member of the Institute of Certified Public Accountants of Singapore	Financial years ended 30 June 2002 and 2003 (c)
Union Steel Pte. Ltd.	LTC & Associates, Singapore, a member of the Institute of Certified Public Accountants of Singapore	Financial period from 1 January 2004 to 30 June 2004 (a), (b) Financial years ended 31 December 2002 and 2003 (b)

The statutory financial statements of its subsidiaries for the financial period/years, covered by this report were not subject to any qualifications, modifications or disclaimers.

Notes:-

- (a) These entities in the Group changed their accounting year end to 30 June during the financial year ended 30 June 2004.
- (b) For the purpose of preparing the unaudited pro forma group financial information for inclusion in the Prospectus, the management of the entities in the Group have prepared the financial statements for the financial years ended 30 June 2002, 2003 and 2004. LTC & Associates were engaged to conduct the audits of these financial statements.
- (c) For the purpose of the Prospectus, LTC & Associates were engaged to re-audit the financial statements of financial years ended 30 June 2002 and 2003. Appropriate adjustments have been made to these financial statements for the purpose of preparing the unaudited pro forma group financial information.

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3. BASIS OF PREPARATION OF PRO FORMA GROUP FINANCIAL INFORMATION

The unaudited pro forma group financial information for the financial years ended 30 June 2002, 2003 and 2004 are prepared for illustrative purposes only. These are prepared in accordance with the accounting policies of the Group as set out in Note 4. These are prepared based on the assumptions that the Group structure has been in existence since 1 July 2001.

The unaudited pro forma group financial information were prepared based on the audited financial statements of the entities in the Group for the financial years ended 30 June 2002, 2003 and 2004.

The audited financial statements of the entities in the Group were prepared in accordance with and comply with Singapore Financial Reporting Standards ("FRS") including related interpretations promulgated by the Council on Corporate Disclosure and Governance.

The objective of the unaudited pro forma financial information of the Group is to show what the historical information might have been had the Group existed as at 1 July 2001. However, the unaudited pro forma financial information of the Group are not necessarily indicative of the results of the operations, changes in equity and cash flows or the related effects on the financial position that would have been attained if the abovementioned Group actually existed earlier.

The unaudited pro forma group financial information, because of their nature, may not give a true picture of the Group's actual financial position and results.

4. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(I) Basis of presentation

(a) Basis of accounting

The unaudited pro forma group financial information are prepared under the historical cost convention and are expressed in Singapore dollars.

(b) Statement of compliance

The unaudited pro forma group 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.

(c) Basis of pro forma consolidation

The unaudited pro forma group financial information for the financial years ended 30 June 2002, 2003 and 2004 are prepared for illustrative purposes only. These are prepared on the basis detailed in Notes 2 subnote (b) and (c) and 3 above.

The unaudited pro forma group financial information 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 years are included in or excluded from the unaudited pro forma group financial information from their respective dates of acquisition or disposal. All significant intercompany balances and transactions and resulting unrealised profits are eliminated in full on consolidation. Unrealised losses resulting from intercompany transactions are also eliminated unless cost cannot be recovered.

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4. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(II) Summary of significant accounting policies

(a) Investments in subsidiaries

Investments in subsidiaries are stated at cost less provision for impairment in value.

(b) Stocks

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

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

(c) Property, plant and equipment and depreciation

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

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

Leasehold land and buildings	10 to 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, trucks and cranes	5 years

Fully depreciated assets still in use are retained in the unaudited pro forma group financial information.

(d) Taxation

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

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

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

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

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4. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(e) Foreign currencies

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

(f) Assets under hire purchase

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

(g) Operating leases

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

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash balances 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.

(i) Impairment of assets

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

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

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

(j) Provisions

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

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4. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(k) Employee benefits

Defined contribution plan

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

Employee entitlements

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

(l) Revenue recognition

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

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

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

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

Interest income is recognised on a time proportionate basis.

(m) Financial risk management policies

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

Foreign exchange risk

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

Interest rate risk

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

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4. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

Credit risk

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

Liquidity risk

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

(n) Trade and other debtors

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

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

(o) Trade and other creditors

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

5. REVENUE

	<u>2002</u> S\$'000	<u>2003</u> S\$'000	<u>2004</u> S\$'000
Trading income	56,857	83,689	109,921
Service income	1,784	2,306	1,472
Rental of steel plates	141	332	676
	<u>58,782</u>	<u>86,327</u>	<u>112,069</u>

6. OTHER OPERATING INCOME

	<u>2002</u> S\$'000	<u>2003</u> S\$'000	<u>2004</u> S\$'000
Foreign exchange gain	98	—	79
Insurance claims	8	15	—
Interest income	11	3	—
Gain on disposal of plant and equipment	143	27	440
Gain on trading in commodities	—	20	—
Rental income	639	849	1,204
Sundry income	254	79	172
	<u>1,153</u>	<u>993</u>	<u>1,895</u>

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7. PROFIT FROM OPERATIONS

This is determined after charging/ (crediting):

	<u>2002</u> S\$'000	<u>2003</u> S\$'000	<u>2004</u> S\$'000
Bad trade debts written off	—	60	—
Depreciation of property, plant and equipment	1,689	1,932	2,213
Directors' fees	850	800	—
Directors' remuneration	870	884	895
Foreign exchange loss/ (gain), net	(98)	126	(71)
Interest income from non-related companies	(11)	(3)	—
Gain on disposal of plant and equipment, net	(143)	(25)	(440)
(Gain)/ Loss on trading in commodities	—	(20)	601
Operating lease expenses	838	800	1,115
Provision for doubtful trade debts	—	138	82
	<u> </u>	<u> </u>	<u> </u>

8. FINANCE COST

	<u>2002</u> S\$'000	<u>2003</u> S\$'000	<u>2004</u> S\$'000
Bank loans interest	336	256	189
Bank overdrafts interest	15	9	3
Hire purchase interest	120	140	127
Trust receipts interest	92	118	141
	<u>563</u>	<u>523</u>	<u>460</u>

9. STAFF COST

	<u>2002</u> S\$'000	<u>2003</u> S\$'000	<u>2004</u> S\$'000
Wages, salaries and bonus	1,846	1,947	2,080
Employers' contribution to Central Provident Fund and SDL	165	179	174
Other staff related expenses	59	46	51
	<u>2,070</u>	<u>2,172</u>	<u>2,305</u>
Number of persons employed at the end of year	<u>77</u>	<u>82</u>	<u>91</u>

The staff cost excludes directors' remuneration.

APPENDIX IV
INDEPENDENT AUDITORS' REPORT AND UNAUDITED PRO FORMA GROUP
FINANCIAL INFORMATION FOR FY2002, FY2003 AND FY2004

10. TAXATION

	2002 S\$'000	2003 S\$'000	2004 S\$'000
Current taxation	334	1,368	2,443
Overprovision in prior years	—	—	(16)
Deferred taxation	5	7	—
	<u>339</u>	<u>1,375</u>	<u>2,427</u>

The income tax expense varied from the amount of income tax expense by applying the Singapore income tax rate of 22% in 2002 and 2003 and 20% in 2004 to profit before taxation as a result of the following differences:

	2002 S\$'000	2003 S\$'000	2004 S\$'000
Profit before taxation	1,717	5,968	11,934
Income tax expense at statutory rate	378	1,313	2,387
Tax effect on non-allowable items	71	76	94
Tax savings on utilisation of unabsorbed tax losses brought forward	(52)	—	—
Tax savings on partial exempt income	(26)	(35)	(31)
Overprovision in prior years	—	—	(16)
Others	(32)	21	(7)
	<u>339</u>	<u>1,375</u>	<u>2,427</u>

11. BASIC EARNINGS PER SHARE

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

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INDEPENDENT AUDITORS' REPORT AND UNAUDITED PRO FORMA GROUP
FINANCIAL INFORMATION FOR FY2002, FY2003 AND FY2004

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings S\$'000	Air-conditioners, electrical installations and computers S\$'000	Containers, renovations and warehouse S\$'000	Furniture, fittings and office equipment S\$'000	Plant, machinery and material handling equipment S\$'000	Motor vehicles, trucks and cranes S\$'000	Total S\$'000
Cost:							
As at 1 July 2003	14,721	349	957	195	9,241	2,259	27,722
Additions	2,059	9	71	60	662	564	3,425
Disposals	—	—	—	(34)	(1,844)	(71)	(1,949)
As at 30 June 2004	16,780	358	1,028	221	8,059	2,752	29,198
Accumulated depreciation:							
As at 1 July 2003	2,159	283	848	152	5,779	1,887	11,108
Depreciation charged for the year	699	30	62	22	1,075	325	2,213
Disposals	—	—	—	—	(1,733)	(65)	(1,798)
As at 30 June 2004	2,858	313	910	174	5,121	2,147	11,523
Net book value:							
As at 30 June 2004	13,922	45	118	47	2,938	605	17,675

Certain plant and equipment with net book value of about S\$2,402,000 are under hire purchase contracts. Leasehold land and buildings with net book value of about S\$13,893,000 are mortgaged with banks (Note 16).

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of S\$3,425,000 of which S\$637,000 were acquired by means of hire purchase contracts. Cash payment of S\$2,788,000 was made to purchase these property, plant and equipment.

13. STOCKS

	2004 S\$'000
At cost	
Trading stocks	11,973
Stock in transit (Trading stocks)	260
	<u>12,233</u>

APPENDIX IV
INDEPENDENT AUDITORS' REPORT AND UNAUDITED PRO FORMA GROUP
FINANCIAL INFORMATION FOR FY2002, FY2003 AND FY2004

14. TRADE DEBTORS

	2004 S\$'000
Outside parties	8,944
Less: Provision for doubtful debts	(219)
	<u>8,725</u>

Included in the trade debts of the Group is an amount of S\$3,288,015 relating to sales under letter of credit terms.

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

	2004 S\$'000
Balance at beginning of year	137
Current year provision	82
	<u>219</u>
Balance at end of year	<u>219</u>

15. OTHER DEBTORS AND PREPAYMENTS

	2004 S\$'000
Deposit paid for the purchase of property, plant and equipment	462
Prepayments	180
Sundry debtors	38
	<u>680</u>

16. BILLS PAYABLE, BANK OVERDRAFTS AND LOANS

	2004 S\$'000
Bank overdrafts	2,669
Bills payable to banks	5,488
Bank loan I	980
Bank loan II	2,451
Bank loan III	900
	<u>12,488</u>
Current portion	(9,508)
	<u>2,980</u>
Non-current portion	<u>2,980</u>

APPENDIX IV
INDEPENDENT AUDITORS' REPORT AND UNAUDITED PRO FORMA GROUP
FINANCIAL INFORMATION FOR FY2002, FY2003 AND FY2004

16. **BILLS PAYABLE, BANK OVERDRAFTS AND LOANS (Cont'd)**

Bank loans

(i) Bank loan I

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

(ii) Bank loan II

A loan of S\$3,241,596 commencing in 2002, which is repayable over 20 years by monthly installment of S\$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 S\$900,000 commencing in February 2004 and is due for repayment in August 2004. The short term bank loan bears interest at 2.2% per annum. Subsequent to year end, the short term bank loan was fully repaid on due date.

These bank loans are secured by leasehold land and buildings as disclosed in Note 12.

Bank overdrafts and bills payable

- (i) Bank overdrafts and bills payable granted to the Group, which are secured by the legal mortgage of the Group's leasehold land and buildings with net book value of about S\$13,893,000 (Note 12) and joint and several guarantees by certain directors of the Group are as follows:-

	<u>2004</u> S\$'000
Bank overdrafts	2,669
Bills payable	1,996
	<u>4,665</u>

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

	<u>2004</u> S\$'000
Bills payable	<u>3,492</u>

The bank overdrafts and bills payable bear interest at rates ranging from 2% to 6.5% per annum.

APPENDIX IV
INDEPENDENT AUDITORS' REPORT AND UNAUDITED PRO FORMA GROUP
FINANCIAL INFORMATION FOR FY2002, FY2003 AND FY2004

17. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

	Minimum lease payments <u>2004</u> S\$'000	Present value of minimum lease payments <u>2004</u> S\$'000
Minimum lease payments payable:		
Within one year	1,008	950
Within two to five years	546	512
	<hr/>	<hr/>
	1,554	1,462
Finance charges allocated to future periods	(92)	—
	<hr/>	<hr/>
Present value of minimum lease payments	<u>1,462</u>	1,462
Less: Repayable within one year included under current liabilities		(950)
		<hr/>
Repayable after one year		<u>512</u>

The rate of interest ranges from 2% to 6% per annum.

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

18. TRADE CREDITORS

	<u>2004</u> S\$'000
Outside parties	<u>4,310</u>

19. OTHER CREDITORS

	<u>2004</u> S\$'000
Amount payable for purchase of plant and equipment	131
Deposit received	226
Sundry creditors	121
	<hr/>
	<u>478</u>

20. DEFERRED TAXATION

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

APPENDIX IV
INDEPENDENT AUDITORS' REPORT AND UNAUDITED PRO FORMA GROUP
FINANCIAL INFORMATION FOR FY2002, FY2003 AND FY2004

21. CONTINGENT LIABILITIES

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

	2004 S\$'000
Bankers' guarantee	526
Insurance guarantee (unsecured)	36
Performance guarantee	304
	<hr/> 866 <hr/>

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

The details of the securities are disclosed in Note 16.

Subsequent to year end, the Group withdrew:-

- (i) S\$346,000 out of S\$526,000 bankers' guarantee; and
- (ii) the insurance guarantee of S\$36,000.

22. COMMITMENTS

- (i) Capital commitments

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

	2004 S\$'000
Amount contracted for but not provided for in the unaudited pro forma group financial information	
- Plant and machinery	1,680
- Leasehold land and buildings	2,610
	<hr/> 4,290 <hr/>

Subsequent to year end, the Group was granted an option for the purchase of a property amounting to S\$3 million, subject to the approval by JTC Corporation. The transaction was completed in January 2005.

- (ii) Operating leases

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

	2004 S\$'000
Payable:	
Within one year	1,020
In the second to fifth years inclusive	2,044
After five years	6,064
	<hr/> <hr/>

APPENDIX IV
INDEPENDENT AUDITORS' REPORT AND UNAUDITED PRO FORMA GROUP
FINANCIAL INFORMATION FOR FY2002, FY2003 AND FY2004

23. 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 unaudited pro forma financial information that either are directly attributable to a segment or can be allocated on a reasonable basis to a segment.

- (b) Segment assets and liabilities

Segment assets are all operating assets that are employed by a segment in its operating activities and are either directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment liabilities are all operating liabilities that are employed by a segment in its operating activities and are either directly attributable to the segment or can be allocated to the segment on a reasonable basis.

APPENDIX IV
INDEPENDENT AUDITORS' REPORT AND UNAUDITED PRO FORMA GROUP FINANCIAL INFORMATION
FOR FY2002, FY2003 AND FY2004

23. SEGMENT INFORMATION (Cont'd)

	Recycling		Trading		Others		Total	
	2002	2003	2002	2003	2002	2003	2002	2003
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
REVENUE								
Total revenue	49,132	72,311	96,948	7,719	11,532	12,973	1,931	2,484
							58,782	86,327
								112,069
RESULT								
Segment result	1,628	5,332	9,894	477	1,091	2,443	372	782
Other operating income							1,153	993
Unallocated corporate expenses							(1,350)	(1,707)
Profit from operations							2,280	6,491
Finance cost							(563)	(523)
Profit before taxation							1,717	5,968
Taxation							(339)	(1,375)
Profit after taxation							1,378	4,593
								9,507

APPENDIX IV
INDEPENDENT AUDITORS' REPORT AND UNAUDITED PRO FORMA GROUP FINANCIAL INFORMATION
FOR FY2002, FY2003 AND FY2004

23. SEGMENT INFORMATION (Cont'd)

	2002 S\$'000	Recycling 2003 S\$'000	2004 S\$'000	2002 S\$'000	Trading 2003 S\$'000	2004 S\$'000	2002 S\$'000	Others 2003 S\$'000	2004 S\$'000	2002 S\$'000	Total 2003 S\$'000	2004 S\$'000
Other information:												
Additions to property, plant and equipment	1,859	552	3,101	225	—	—	684	575	257	2,768	1,127	3,358
Unallocated corporate assets										2,950	31	67
Total additions to property, plant and equipment										5,718	1,158	3,425
Depreciation expenses	910	972	1,216	243	243	243	120	178	201	1,273	1,393	1,660
Unallocated depreciation expenses										416	539	553
Total depreciation expenses										1,689	1,932	2,213
ASSETS												
Segment assets	15,099	18,644	25,587	6,090	5,281	6,758	1,108	1,311	1,262	22,297	25,236	33,607
Unallocated corporate assets										7,272	7,635	12,757
Total assets										29,569	32,871	46,364
LIABILITIES												
Segment liabilities	4,588	5,002	5,993	2,135	2,501	2,969	319	126	203	7,042	7,629	9,165
Unallocated corporate liabilities										12,521	10,644	13,873
Total liabilities										19,563	18,273	23,038

APPENDIX IV
INDEPENDENT AUDITORS' REPORT AND UNAUDITED PRO FORMA GROUP
FINANCIAL INFORMATION FOR FY2002, FY2003 AND FY2004

23. SEGMENT INFORMATION (Cont'd)

(ii) Geographical segments

Revenue by the geographical segments is based on location of customers. Total assets and additions to property, plant and equipment are based on the location of those assets.

	Revenue			Total assets			Additions to property, plant and equipment		
	2002	2003	2004	2002	2003	2004	2002	2003	2004
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
China	21,496	35,499	39,760	1,083	2,262	2,382	—	—	—
Singapore	15,820	23,290	29,820	26,744	27,918	40,556	5,718	1,158	3,425
India	8,151	7,562	15,491	931	2,331	2,081	—	—	—
Indonesia	6,202	13,054	9,607	535	—	—	—	—	—
Japan	1,370	166	6,823	—	166	419	—	—	—
Malaysia	3,036	5,117	2,199	38	—	54	—	—	—
Others *	2,707	1,639	8,369	238	194	872	—	—	—
	58,782	86,327	112,069	29,569	32,871	46,364	5,718	1,158	3,425

* Others include Taiwan, Nepal and the rest of the world. Each of these countries does not contribute more than 5% of the Group's revenue.

24. DIVIDENDS

Dividend paid by entities in the Group:-

<u>Financial year ended</u>	<u>Date of payment</u>	<u>Company</u>	<u>Rate of dividend</u>	<u>Net dividend</u> \$
30 June 2003	15 April 2004	YLS Steel Pte Ltd	Final dividend of S\$0.975 per share net of tax @ 20%	780,000
30 June 2004	20 September 2004	Yew Lee Seng Metal Pte Ltd	Final dividend of S\$25 per share	3,000,000
30 June 2004	12 October 2004	YLS Steel Pte Ltd	Final dividend of S\$4 per share	4,000,000

No other dividends had been declared or paid by the company or any other entities within the Group for the financial years under review.

APPENDIX IV
INDEPENDENT AUDITORS' REPORT AND UNAUDITED PRO FORMA GROUP
FINANCIAL INFORMATION FOR FY2002, FY2003 AND FY2004

25. STATEMENT OF ADJUSTMENTS

In preparing the unaudited pro forma group financial information, the following adjustments have been made to the financial statements of the entities in the Group for the financial years ended 30 June 2002, 2003 and 2004.

	2002 S\$'000	2003 S\$'000	2004 S\$'000
<u>Revenue</u>			
Revenue per aggregate of financial statements of the entities in the Group	65,268	93,986	122,306
Less:			
Elimination of intercompany sales	(6,486)	(7,659)	(10,237)
Adjusted revenue as stated in the unaudited pro forma income statements	<u>58,782</u>	<u>86,327</u>	<u>112,069</u>

26. SUBSEQUENT EVENTS

Pursuant to resolutions passed on 28 June 2005, the shareholders of the Company approved, amongst other things, the following:-

- a) the increase in the authorised share capital of the Company from S\$100,000,000 divided into 100,000,000 ordinary shares of S\$1.00 each into S\$300,000,000 divided into 300,000,000 ordinary shares of S\$1.00 each;
- b) the Restructuring Exercise, the details of which are set out under the section "Restructuring Exercise" on page 43 of the Prospectus;
- c) the consolidation of three ordinary shares of S\$1.00 each in the authorised and issued share capital of the Company into one ordinary share of S\$3.00 each;
- d) the subdivision of each ordinary share of S\$3.00 each in the authorised and issued share capital of the Company into 50 ordinary shares of S\$0.06 each;
- e) the adoption of a new set of Articles of Association of the Company;
- f) the conversion of the Company into a public limited company and the change of the name to Union Steel Holdings Limited;
- g) the allotment and issue of the New Shares which are the subject of the Invitation. The New Shares, when allotted, issued and fully paid up, will rank *pari passu* in all respects with the existing issued and fully paid-up Shares; and
- h) the adoption, implementation and administration of the Union Steel Holdings Employee Share Option Scheme and the allotment and issue of new Shares to be issued pursuant to the exercise of Options to be granted under the Scheme.

27. AUDITED FINANCIAL STATEMENTS

No audited financial statements of the Company and the Group have been prepared for any period subsequent to 30 June 2004.

APPENDIX V
REPORT FROM THE INDEPENDENT AUDITORS IN RELATION TO THE
UNAUDITED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS
ENDED 31 DECEMBER 2004

2 August 2005

The Board of Directors
Union Steel Holdings Limited
33 Pioneer Road North
Singapore 628474

Dear Sirs

**REPORT FROM THE INDEPENDENT AUDITORS IN RELATION TO THE UNAUDITED INTERIM
FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 31 DECEMBER 2004**

This Report has been prepared for inclusion in the Prospectus dated 2 August 2005 in connection with the invitation by Union Steel Holdings Limited (the “company”) to the public to subscribe 89,000,000 ordinary shares of \$0.06 each in the capital of the Company.

We have reviewed the unaudited pro forma group interim financial information of Union Steel Holding Limited and its subsidiaries (collectively referred to the “Group”) as at 31 December 2004 and for the period from 1 July 2004 to 31 December 2004 as set out on pages V-2 to V-11 of the Prospectus. The unaudited pro forma group interim financial information are the responsibility of the directors of the company. Our responsibility is to issue a report on the unaudited pro forma group interim financial information based on our review.

We conducted our review in accordance with the Singapore Standard on Review Engagements 2400. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the unaudited pro forma group interim financial information are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing come to our attention that causes us to believe that the unaudited pro forma interim financial information of the Group set out on pages V-2 to V-11 of the Prospectus are not presented fairly, in all material respects, in accordance with accounting policies normally adopted by the Group as set out in Appendix IV-9 to IV13 of the Prospectus.

Yours faithfully

LTC & Associates
Certified Public Accountants
Singapore

Wong Pooi Khim
Partner

APPENDIX V
REPORT FROM THE INDEPENDENT AUDITORS IN RELATION TO THE
UNAUDITED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS
ENDED 31 DECEMBER 2004

UNION STEEL HOLDINGS LIMITED

INTERIM PRO FORMA
INCOME STATEMENTS OF THE GROUP
FOR THE SIX MONTHS ENDED 31 DECEMBER 2004

	<u>Note</u>	<u>6 months ended</u>	
		<u>31 December 2004</u>	<u>31 December 2003</u>
		<u>S\$'000</u>	<u>S\$'000</u>
Revenue		58,627	47,973
Cost of sales		(47,861)	(41,385)
Gross profit		10,766	6,588
Other operating income		1,066	835
		11,832	7,423
Distribution costs		(2,645)	(2,078)
Administrative expenses		(2,310)	(1,950)
Other operating expenses		(182)	(570)
Profit from operations		6,695	2,825
Finance cost		(209)	(213)
Profit before taxation		6,486	2,612
Taxation		(1,297)	(534)
Net profit for the financial year		<u>5,189</u>	<u>2,078</u>
Basic earnings per share (cents)	2	<u>1.91</u>	<u>0.76</u>

See accompanying notes to the unaudited interim pro forma group financial information

APPENDIX V
REPORT FROM THE INDEPENDENT AUDITORS IN RELATION TO THE
UNAUDITED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS
ENDED 31 DECEMBER 2004

UNION STEEL HOLDINGS LIMITED

INTERIM PRO FORMA
BALANCE SHEET OF THE GROUP
AS AT 31 DECEMBER 2004

	<u>2004</u> S\$'000
Non-current assets	
Property, plant and equipment	23,402
Current assets	
Stocks	9,134
Trade debtors	10,994
Other debtors and prepayments	761
Cash and bank balances	3,267
	<u>24,156</u>
Current liabilities	
Bills payable, bank overdrafts and loans	11,278
Obligations under hire purchase contracts	825
Trade creditors	4,744
Other creditors	550
Provision for taxation	3,568
	<u>20,965</u>
Net current assets	<u>3,191</u>
Non-current liabilities	
Bank loans	4,588
Obligations under hire purchase contracts	288
Deferred taxation	202
	<u>5,078</u>
Net assets	<u>21,515</u>
Represented by:	
Pro Forma Shareholders' equity	<u><u>21,515</u></u>

See accompanying notes to the unaudited interim pro forma group financial information

APPENDIX V
REPORT FROM THE INDEPENDENT AUDITORS IN RELATION TO THE
UNAUDITED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS
ENDED 31 DECEMBER 2004

UNION STEEL HOLDINGS LIMITED

INTERIM PRO FORMA
STATEMENT OF CHANGES IN EQUITY OF THE GROUP
FOR THE SIX MONTHS ENDED 31 DECEMBER 2004

Pro Forma Group Shareholders' Equity	<u>2004</u> S\$'000
Balance as at 1 July 2004	23,326
Net profit for the period	5,189
First and final dividend paid of S\$4 per share *	(4,000)
First and final dividend paid of S\$25 per share **	<u>(3,000)</u>
Balance as at 31 December 2004	<u><u>21,515</u></u>

* The first and final dividend was paid by a subsidiary, YLS Steel Pte Ltd, on 12 October 2004 to the shareholders of the company.

** *The first and final dividend was paid by a subsidiary, Yew Lee Seng Metal Pte Ltd, on 20 September 2004 to the shareholders of the company.*

See accompanying notes to the unaudited interim pro forma group financial information

APPENDIX V
REPORT FROM THE INDEPENDENT AUDITORS IN RELATION TO THE
UNAUDITED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS
ENDED 31 DECEMBER 2004

UNION STEEL HOLDINGS LIMITED

INTERIM PRO FORMA
CASH FLOW STATEMENT OF THE GROUP
FOR THE SIX MONTHS ENDED 31 DECEMBER 2004

	2004 S\$'000
Cash flows from operating activities: -	
Profit before taxation	6,486
Adjustments for:	
Depreciation of property, plant and equipment	1,019
Gain on disposal of plant and equipment	(21)
Interest expense	209
	<hr/>
Operating profit before working capital changes	7,693
Decrease in stocks	3,099
Increase in trade debtors	(2,269)
Increase in other debtors and prepayments	(81)
Increase in trade creditors	434
Increase in other creditors	20
	<hr/>
Cash generated from operations	8,896
Income tax paid	(1,827)
Interest paid	(209)
	<hr/>
Net cash generated from operating activities	6,860
	<hr/>
Cash flows from investing activities: -	
Purchase of property, plant and equipment	(6,564)
Proceeds from disposal of plant and equipment	21
Repayment of hire purchase contracts	(479)
	<hr/>
Net cash used in investing activities	(7,022)
	<hr/>
Cash flows from financing activities: -	
Funds from short term bank loan	2,600
Funds from long-term bank loan	2,500
Increase in bills payable	2,243
Repayment of short-term bank loan	(900)
Repayment of long-term bank loan	(396)
Dividends paid to Group shareholders	(7,000)
	<hr/>
Net cash used in financing activities	(953)
	<hr/>
Net decrease in cash and cash equivalents	(1,115)
Cash and cash equivalents at beginning of the period	4,382
	<hr/>
Cash and cash equivalents at end of the period	3,267
	<hr/> <hr/>
Cash and cash equivalents comprise:	
Cash and bank balances	3,267
	<hr/> <hr/>

During the period, the pro forma group acquired property, plant and equipment with an aggregate cost of S\$6,745,618 of which S\$129,388 was acquired by means of hire purchase. Cash payments of S\$6,616,230 were made to purchase property, plant and equipment.

See accompanying notes to the unaudited interim pro forma group financial information

APPENDIX V
REPORT FROM THE INDEPENDENT AUDITORS IN RELATION TO THE
UNAUDITED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS
ENDED 31 DECEMBER 2004

UNION STEEL HOLDINGS LIMITED

NOTES TO THE UNAUDITED INTERIM PRO FORMA
GROUP FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 31 DECEMBER 2004

1. BASIS OF PREPARATION

The unaudited interim pro forma group financial information have been prepared on a condensed basis in accordance with Singapore Financial Reporting Standard 34- Interim Financial Reporting.

The unaudited interim pro forma group financial information, which do not include the full disclosure of the type normally included in a complete set of pro forma group financial information, are to be read in conjunction with the pro forma group financial information as set out in Appendix IV-1 to IV-25 of the Prospectus.

The accounting policies applied and the method of computation used in the unaudited interim pro forma group financial information are consistent with those applied in the unaudited pro forma group financial information for the financial years ended 30 June 2002, 2003 and 2004 as set out in Appendix IV-9 to IV-13 of the Prospectus.

2. BASIC EARNINGS PER SHARE

Basic earning per share is calculated based on the net profit of the period divided by the pre-invitation share capital of 272,105,250 ordinary shares.

3. CONTINGENT LIABILITIES

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

	<u>2004</u> S\$'000
Bankers' guarantee	158
Performance guarantee	171
	<hr/> 329 <hr/>

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

The credit facilities granted by the banks are secured as follows:-

- a) Legal mortgage of the Group's leasehold land and building with net book value about S\$16,616,000;
- b) Legal mortgages of certain properties under the name of certain directors of the group;
- c) Joint and several guarantees by certain directors of the group; and
- d) Pledge of fixed deposits in the name of a director of the group.

APPENDIX V
REPORT FROM THE INDEPENDENT AUDITORS IN RELATION TO THE
UNAUDITED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS
ENDED 31 DECEMBER 2004

4. COMMITMENTS

(i) Capital commitments

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

2004
S\$'000

Amount contracted for but not provided
for in the interim pro forma group financial information
- Leasehold land and buildings

4,218

(ii) Operating leases

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

2004
S\$'000

Payable:
Within one year
In the second to fifth years inclusive
After five years

1,280
3,160
9,606

5. 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. |

APPENDIX V
REPORT FROM THE INDEPENDENT AUDITORS IN RELATION TO THE
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5. SEGMENT INFORMATION (Cont'd)

(a) Segment revenue and expenses

Segment revenue and expenses are revenue and expenses reported in the Group's unaudited interim pro forma financial information that either are directly attributable to a segment or can be allocated on a reasonable basis to a segment.

(b) Segment assets and liabilities

Segment assets are all operating assets that are employed by a segment in its operating activities and are either directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment liabilities are all operating liabilities that are employed by a segment in its operating activities and are either directly attributable to the segment or can be allocated to the segment on a reasonable basis.

	— Recycling —		— Trading —		— Others —		— Total —	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
REVENUE								
Total revenue	49,581	41,606	7,654	4,904	1,392	1,463	58,627	47,973
RESULT								
Segment result	5,404	2,160	1,180	529	(31)	108	6,553	2,797
Other operating income							1,066	835
Unallocated corporate expenses							(924)	(807)
Profit from operations							6,695	2,825
Finance cost							(209)	(213)
Profit before taxation							6,486	2,612
Taxation							(1,297)	(534)
Profit after taxation							5,189	2,078

APPENDIX V
REPORT FROM THE INDEPENDENT AUDITORS IN RELATION TO THE
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5. SEGMENT INFORMATION (Cont'd)

	Recycling 2004 S\$'000	Trading 2004 S\$'000	Others 2004 S\$'000	Total 2004 S\$'000
Other information:				
Additions to property, plant and equipment	6,665	—	38	6,703
Unallocated corporate assets				42
Total additions to property, plant and equipment				6,745
Depreciation expenses	614	121	201	936
Unallocated depreciation expenses				83
Total depreciation expenses				1,019
ASSETS				
Segment assets	30,814	8,513	915	40,242
Unallocated corporate assets				7,316
Total assets				47,558
LIABILITIES				
Segment liabilities	3,319	1,468	296	5,083
Unallocated corporate liabilities				20,960
Total liabilities				26,043

APPENDIX V
REPORT FROM THE INDEPENDENT AUDITORS IN RELATION TO THE
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5. SEGMENT INFORMATION (Cont'd)

(ii) Geographical segments

Revenue by the geographical segments is based on location of customers. Total assets and additions to property, plant and equipment are based on the location of those assets.

	Revenue		Total assets	Additions to property, plant and equipment
	2004	2003	2004	2004
	S\$'000	S\$'000	S\$'000	S\$'000
China	6,082	22,335	2,214	—
Singapore	13,403	10,611	40,348	6,745
India	10,661	7,430	1,545	—
Indonesia	14,468	1,403	2,526	—
Japan	2,382	3,196	—	—
Malaysia	626	1,543	16	—
Others *	11,005	1,455	909	—
	58,627	47,973	47,558	6,745

* Others include Taiwan, Nepal and the rest of the world. Each of these countries does not contribute more than 5% of the Group's revenue.

6. SUBSEQUENT EVENTS

Pursuant to resolutions passed on 28 June 2005, the shareholders of the Company approved, amongst other things, the following:-

- a) the increase in the authorised share capital of the Company from S\$100,000,000 divided into 100,000,000 ordinary shares of S\$1.00 each to S\$300,000,000 divided into 300,000,000 ordinary shares of S\$1.00 each;
- b) the Restructuring Exercise, the details of which are set out under the section "Restructuring Exercise" on page 43 of the Prospectus;
- c) the consolidation of three ordinary shares of S\$1.00 each in the authorised and issued share capital of the Company into one ordinary share of S\$3.00 each;
- d) the subdivision of each ordinary share of S\$3.00 each in the authorised and issued share capital of the Company into 50 ordinary shares of S\$0.06 each;
- e) the adoption of a new set of Articles of Association of the Company;
- f) the conversion of the Company into a public limited company and the change of the name to Union Steel Holdings Limited;
- g) the allotment and issue of the New Shares which are the subject of the Invitation. The New Shares, when allotted, issued and fully paid up, will rank *pari passu* in all respects with the existing issued and fully paid-up Shares; and
- h) the adoption, implementation and administration of the Union Steel Holdings Employee Share Option Scheme and the allotment and issue of new Shares to be issued pursuant to the exercise of Options to be granted under the Scheme.

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7. COMPARATIVE FIGURES

The comparative figures of the Pro forma Group's interim income statements for the period from 1 July 2003 to 31 December 2003 have not been reviewed.

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AUDITED FINANCIAL STATEMENTS FOR UNION STEEL PTE. LTD.,
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UNION STEEL PTE. LTD.

FINANCIAL STATEMENTS

FINANCIAL YEARS ENDED 30 JUNE 2002, 2003 AND 2004

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AUDITED FINANCIAL STATEMENTS FOR UNION STEEL PTE. LTD.,
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UNION STEEL PTE. LTD.

STATEMENT BY DIRECTORS

In the opinion of the directors, 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 as at 30 June 2002, 2003 and 2004 and the results of the business, changes in equity and cash flows of the company for the financial year ended on that date.

On behalf of the directors

Ang Yu Seng
Director

Ang Yew Lai
Director

Singapore, 16 September 2004

APPENDIX VI
AUDITED FINANCIAL STATEMENTS FOR UNION STEEL PTE. LTD.,
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**REPORT OF THE AUDITORS TO THE MEMBERS OF
UNION STEEL PTE. LTD.**

We have audited the accompanying financial statements of the company for the financial years ended 30 June 2002, 2003 and 2004. These financial statements of the company, which have been prepared and presented in accordance with Singapore Financial Reporting Standards, 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, the accompanying financial statements of the company present fairly, in all material respects, the financial positions of the company as at 30 June 2002, 2003 and 2004 and of the results, changes in equity and of the cash flows of the company for the financial years then ended and have been properly prepared in accordance with Singapore Financial Reporting Standards.

LTC & Associates
Certified Public Accountants

Singapore, 16 September 2004

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UNION STEEL PTE. LTD.

BALANCE SHEET AS AT 30 JUNE 2002, 2003 AND 2004

	Note	2004 S\$	2003 S\$	2002 S\$
SHAREHOLDERS' EQUITY AND LIABILITIES				
Share capital	3	1,000,000	1,000,000	1,000,000
Retained profits		3,092,780	1,912,466	1,066,411
Shareholders' equity		4,092,780	2,912,466	2,066,411
Non-current liabilities:-				
Obligations under hire purchase contracts	4	102,957	48,130	21,280
Current liabilities:-				
Trade creditors	5	1,330,521	734,856	155,524
Other creditors	6	94,850	504,150	957,900
Current portion of obligations under hire purchase contracts	4	157,303	38,686	54,034
Short term bank loan	7	900,000	—	—
Bills payable and bank overdrafts	8	6,443,602	2,841,713	1,904,762
Provision for taxation		642,690	512,164	344,444
Total current liabilities		9,568,966	4,631,569	3,416,664
Total shareholders' equity and liabilities		13,764,703	7,592,165	5,504,355
ASSETS				
Non-current assets:-				
Property, plant & equipment	9	3,561,664	1,362,505	1,488,568
Current assets:-				
Stocks	10	4,981,565	2,117,376	1,063,505
Trade debtors	11	4,743,553	3,754,387	2,076,299
Other debtors and prepayments	12	337,696	2,496	824
Cash and bank balances		140,225	355,401	875,159
Total current assets		10,203,039	6,229,660	4,015,787
Total assets		13,764,703	7,592,165	5,504,355

See accompanying notes to the financial statements

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UNION STEEL PTE. LTD.

INCOME STATEMENT
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2002, 2003 AND 2004

	Note	<u>2004</u> S\$	<u>2003</u> S\$	<u>2002</u> S\$
Revenue	13	59,436,781	41,305,922	26,927,811
Cost of sales		(54,868,437)	(37,495,891)	(23,911,694)
Gross profit		4,568,344	3,810,031	3,016,117
Other operating income	14	217,853	69,850	98,356
		4,786,197	3,879,881	3,114,473
Distribution costs		(1,427,930)	(1,257,573)	(896,971)
Administrative expenses		(1,140,610)	(1,260,802)	(1,107,646)
Other operating expenses		(600,540)	(162,012)	–
Profit from operations		1,617,117	1,199,494	1,109,856
Finance cost	15	(118,210)	(85,439)	(82,198)
Profit before taxation	16	1,498,907	1,114,055	1,027,658
Taxation	17	(318,593)	(268,000)	(251,000)
Net profit for the financial year		1,180,314	846,055	776,658

See accompanying notes to the financial statements

APPENDIX VI
AUDITED FINANCIAL STATEMENTS FOR UNION STEEL PTE. LTD.,
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UNION STEEL PTE. LTD.

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2002, 2003 AND 2004

	Share <u>capital</u> S\$	Retained <u>profits</u> S\$	<u>Total</u> S\$
Balance as at 1 July 2001	1,000,000	289,753	1,289,753
Net profit	—	776,658	776,658
Balance as at 30 June 2002	1,000,000	1,066,411	2,066,411
Net profit	—	846,055	846,055
Balance as at 30 June 2003	1,000,000	1,912,466	2,912,466
Net profit	—	1,180,314	1,180,314
Balance as at 30 June 2004	1,000,000	3,092,780	4,092,780

See accompanying notes to the financial statements

APPENDIX VI
AUDITED FINANCIAL STATEMENTS FOR UNION STEEL PTE. LTD.,
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UNION STEEL PTE. LTD.

CASH FLOW STATEMENT

FOR THE FINANCIAL YEARS ENDED 30 JUNE 2002, 2003 AND 2004

	<u>2004</u> S\$	<u>2003</u> S\$	<u>2002</u> S\$
Cash flows from operating activities:-			
Profit before taxation	1,498,907	1,114,055	1,027,658
Adjustments for:			
Depreciation of property, plant and equipment	387,467	230,858	291,628
Interest expense	118,210	85,439	82,198
Interest income	—	(700)	—
Gain on disposal of plant and equipment	—	(14,000)	(12,300)
Operating profit before working capital changes	2,004,584	1,415,652	1,389,184
Stocks	(2,864,189)	(1,053,871)	791,919
Trade debtors	(989,166)	(1,678,088)	(781,311)
Other debtors and prepayments	(335,200)	(1,672)	2,052
Trade creditors	595,665	579,332	(113,097)
Other creditors	(409,300)	(453,750)	330,400
Cash (used in)/generated from operations	(1,997,606)	(1,192,397)	1,619,147
Interest received	—	700	—
Interest paid	(118,210)	(85,439)	(82,198)
Income tax paid	(188,067)	(100,280)	(174,192)
Net cash (used in)/from operating activities	(2,303,883)	(1,377,416)	1,362,757
Cash flows from investing activities:-			
Purchase of property, plant and equipment	(2,315,714)	(34,795)	(59,533)
Proceeds from disposal of plant and equipment	—	14,000	17,300
Repayment of hire purchase contracts	(97,468)	(58,498)	(70,702)
Net cash used in investing activities	(2,413,182)	(79,293)	(112,935)
Cash flows from financing activities:-			
Funds from short term bank loan	900,000	—	—
Repayment of long term bank loans	—	—	(310,000)
Increase in bills payable	1,528,101	343,022	838,880
Net cash from financing activities	2,428,101	343,022	528,880
Net (decrease)/increase in cash and cash equivalents	(2,288,964)	(1,113,687)	1,778,702
Cash and cash equivalents at beginning of the financial year	(239,423)	874,264	(904,438)
Cash and cash equivalents at end of the financial year	(2,528,387)	(239,423)	874,264
Cash and cash equivalents comprise:-			
Cash and bank balances	140,225	355,401	875,159
Bank overdrafts (Note 8)	(2,668,612)	(594,824)	(895)
	(2,528,387)	(239,423)	874,264

During the year, the company acquired property, plant and equipment with an aggregate cost of S\$2,586,626 (2003: S\$104,795 and 2002: S\$118,733) of which S\$270,912 (2003: S\$70,000 and 2002: S\$59,200) were acquired by means of hire purchase contracts. Cash payment of S\$2,315,714 (2003: S\$34,795 and 2002: S\$59,533) was made to purchase these property, plant and equipment.

See accompanying notes to the financial statements

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UNION STEEL PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2002, 2003 AND 2004

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

1. GENERAL

The company is incorporated and domiciled in the Republic of Singapore.

Its principal activities are those of recycling of non-ferrous metals and stainless steel.

Its registered office is at 76 Joo Koon Circle, Singapore 629096.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(I) Basis of presentation

(a) Basis of accounting

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

(b) Statement of compliance

The financial statements 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.

(II) Summary of significant accounting policies

(a) Stocks

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

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

(b) 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 its carrying amount.

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

Leasehold land and buildings	16 - 35.5 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 years
Motor vehicles, trucks and cranes	5 years

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

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(c) Taxation

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

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

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

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

(d) Foreign currencies

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

(e) Assets under hire purchase

Where assets are under hire purchase agreements, the assets are capitalised in the financial statements and the corresponding obligation treated as a liability. The assets so capitalised are depreciated in accordance with the company'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.

(f) Operating lease

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

(g) 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 company's cash management.

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(h) Impairment of assets

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

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

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

(i) Provisions

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

(j) Employee benefits

Defined contribution plan

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

Employee entitlements

Employee entitlements to annual leave is 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.

(k) Revenue recognition

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

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

Interest income is recognised on a time proportionate basis.

(l) Financial risk management policies

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

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(l) Financial risk management policies (Cont'd)

Foreign exchange risk

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

Interest rate risk

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

Credit risk

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

Liquidity risk

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

(m) Trade and other debtors

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

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

(n) Trade and other creditors

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

3. SHARE CAPITAL

	<u>2004</u> S\$	<u>2003</u> S\$	<u>2002</u> S\$
Authorised:			
1,000,000 ordinary shares of S\$1 each	1,000,000	1,000,000	1,000,000
Issued and fully paid:			
1,000,000 ordinary shares of S\$1 each	1,000,000	1,000,000	1,000,000

APPENDIX VI
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4. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

	<u>Minimum lease payments</u>			<u>Present value of minimum lease payments</u>		
	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
	S\$	S\$	S\$	S\$	S\$	S\$
Minimum lease payments payable:						
Within one year	166,170	41,447	56,912	157,303	38,686	54,034
Within two to five years	116,035	54,285	21,725	102,957	48,130	21,280
	282,205	95,732	78,637	260,260	86,816	75,314
Finance charges allocated to future periods	(21,945)	(8,916)	(3,323)	—	—	—
Present value of minimum lease payments	260,260	86,816	75,314	260,260	86,816	75,314
Less: Repayable within one year included under current liabilities				(157,303)	(38,686)	(54,034)
Repayable after one year				102,957	48,130	21,280

The rate of interest ranges from 3% to 5%, (2003: 3% to 5% and 2002: 5% to 6%) per annum.

The hire purchase contracts are guaranteed by the directors of the company.

5. TRADE CREDITORS

	<u>2004</u>	<u>2003</u>	<u>2002</u>
	S\$	S\$	S\$
Outside parties	1,330,521	697,016	100,452
Related party	—	37,840	55,072
	1,330,521	734,856	155,524

6. OTHER CREDITORS

	<u>2004</u>	<u>2003</u>	<u>2002</u>
	S\$	S\$	S\$
Directors	—	500,000	955,000
Deposit received	66,000	—	—
Sundry creditors	28,850	4,150	2,900
	94,850	504,150	957,900

The amounts due to directors are unsecured, interest free and have no fixed repayment terms.

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AUDITED FINANCIAL STATEMENTS FOR UNION STEEL PTE. LTD.,
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7. SHORT TERM BANK LOAN

The short term bank loan bear interest at 2.2% per annum and is due for repayment in August 2004. The short term bank loan is obtained on the same terms and conditions as bills payable and bank overdrafts set out in Note 8.

Subsequent to year end, the short term bank loan was fully repaid on due date.

8. BILLS PAYABLE AND BANK OVERDRAFTS

	<u>2004</u> S\$	<u>2003</u> S\$	<u>2002</u> S\$
Bank overdrafts	2,668,612	594,824	895
Bills payable to bank	3,774,990	2,246,889	1,903,867
	<u>6,443,602</u>	<u>2,841,713</u>	<u>1,904,762</u>

- (i) Bank overdrafts, bills payable and other credit facilities granted to the company, which are secured by the legal mortgage of the company's leasehold land and buildings with net book value of about S\$2,993,000 (2003: S\$1,134,000 and 2002: S\$1,276,000) (Note 9) and joint and several guarantees by the directors of the company are as follows:-

	<u>2004</u> S\$	<u>2003</u> S\$	<u>2002</u> S\$
Bank overdrafts	2,668,612	594,824	—
Bills payable to bank	1,279,302	1,387,630	920,527
	<u>3,947,914</u>	<u>1,982,454</u>	<u>920,527</u>

- (ii) Bank overdrafts, bills payable and other credit facilities granted to the company, which are secured by joint and several guarantees by the directors of the company and legal mortgage of the properties under the name of a director of the company are as follows:-

	<u>2004</u> S\$	<u>2003</u> S\$	<u>2002</u> S\$
Bank overdrafts	—	—	895
Bills payable to bank	2,495,688	859,259	983,340
	<u>2,495,688</u>	<u>859,259</u>	<u>984,235</u>

The bank overdrafts and bills payable bear interest at 6.5% (2003: 6.5% and 2002: 6.5%) per annum.

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9. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings S\$	Air- conditioners, electrical installations and computers S\$	Containers, renovations and warehouse S\$	Furniture, fittings and office equipment S\$	Plant, machinery and material handling equipment S\$	Motor vehicles, trucks and cranes S\$	Total S\$
2004							
Cost							
As at 1 July 2003	2,268,513	66,483	165,086	92,788	637,922	78,434	3,309,226
Additions	2,058,974	2,180	10,870	–	196,081	318,521	2,586,626
As at 30 June 2004	4,327,487	68,663	175,956	92,788	834,003	396,955	5,895,852
Accumulated depreciation:							
As at 1 July 2003	1,134,258	61,848	148,476	83,392	503,060	15,687	1,946,721
Depreciation charge for the year	199,781	2,681	7,711	3,181	94,722	79,391	387,467
As at 30 June 2004	1,334,039	64,529	156,187	86,573	597,782	95,078	2,334,188
Net book value: As at 30 June 2004	2,993,448	4,134	19,769	6,215	236,221	301,877	3,561,664
2003							
Cost:							
As at 1 July 2002	2,268,513	65,557	165,086	91,153	635,622	–	3,225,931
Additions	–	926	–	1,635	23,800	78,434	104,795
Disposals	–	–	–	–	(21,500)	–	(21,500)
As at 30 June 2003	2,268,513	66,483	165,086	92,788	637,922	78,434	3,309,226
Accumulated depreciation:							
As at 1 July 2002	992,476	59,564	142,340	79,832	463,151	–	1,737,363
Depreciation charge for the year	141,782	2,284	6,136	3,560	61,409	15,687	230,858
Disposals	–	–	–	–	(21,500)	–	(21,500)
As at 30 June 2003	1,134,258	61,848	148,476	83,392	503,060	15,687	1,946,721
Net book value: As at 30 June 2003	1,134,255	4,635	16,610	9,396	134,862	62,747	1,362,505

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9. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

<u>2002</u>	<u>Leasehold land and buildings</u> S\$	<u>Air- conditioners, electrical installations and computers</u> S\$	<u>Containers, renovations and warehouse</u> S\$	<u>Furniture, fittings and office equipment</u> S\$	<u>Plant, machinery and material handling equipment</u> S\$	<u>Total</u> S\$
Cost:						
As at 1 July 2001	2,268,513	63,507	137,403	79,253	588,322	3,136,998
Additions	–	2,050	27,683	11,900	77,100	118,733
Disposals	–	–	–	–	(29,800)	(29,800)
As at 30 June 2002	2,268,513	65,557	165,086	91,153	635,622	3,225,931
Accumulated depreciation:						
As at 1 July 2001	850,694	55,183	128,278	69,295	367,085	1,470,535
Depreciation charge for the year	141,782	4,381	14,062	10,537	120,866	291,628
Disposals	–	–	–	–	(24,800)	(24,800)
As at 30 June 2002	992,476	59,564	142,340	79,832	463,151	1,737,363
Net book value:						
As at 30 June 2002	1,276,037	5,993	22,746	11,321	172,471	1,488,568

Certain plant and equipment with a net book value of about S\$302,000 (2003: S\$124,000 and 2002: S\$128,000) are under hire purchase contracts.

Leasehold land and buildings with net book value of about S\$2,993,000 (2003: S\$1,134,000 and 2002: S\$1,276,000) are mortgaged with banks (Note 8).

10. STOCKS

	<u>2004</u> S\$	<u>2003</u> S\$	<u>2002</u> S\$
At cost			
Trading stocks	4,981,565	2,117,376	1,063,505

11. TRADE DEBTORS

	<u>2004</u> S\$	<u>2003</u> S\$	<u>2002</u> S\$
Outside parties	4,743,553	3,713,565	1,751,562
Related party	–	40,822	324,737
	4,743,553	3,754,387	2,076,299

Included in the trade debts of the company are amounts of S\$1,948,239, S\$637,669 and S\$202,160 relating to sales under letter of credit terms as of 30 June 2004, 2003 and 2002 respectively.

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12. OTHER DEBTORS AND PREPAYMENTS

	<u>2004</u>	<u>2003</u>	<u>2002</u>
	S\$	S\$	S\$
Deposit paid for the purchase of property	290,000	—	—
Prepayments	10,000	—	—
Sundry debtors	37,696	2,496	824
	<u>337,696</u>	<u>2,496</u>	<u>824</u>

13. REVENUE

	<u>2004</u>	<u>2003</u>	<u>2002</u>
	S\$	S\$	S\$
Revenue	59,436,781	41,305,922	26,927,811

14. OTHER OPERATING INCOME

	<u>2004</u>	<u>2003</u>	<u>2002</u>
	S\$	S\$	S\$
Foreign exchange gain	79,152	—	37,457
Gain on trading in commodities	—	20,147	—
Interest income from non-related companies	—	700	—
Gain on disposal of plant and equipment	—	14,000	12,300
Rental income	111,200	—	23,100
Sundry income	27,501	35,003	25,499
	<u>217,853</u>	<u>69,850</u>	<u>98,356</u>

15. FINANCE COST

	<u>2004</u>	<u>2003</u>	<u>2002</u>
	S\$	S\$	S\$
Bank loans interest	12,072	—	14,774
Bank overdrafts interest	367	3,618	7,350
Hire purchase interest	5,878	3,349	4,699
Trust receipts interest	99,893	78,472	55,375
	<u>118,210</u>	<u>85,439</u>	<u>82,198</u>

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16. PROFIT BEFORE TAXATION

	<u>2004</u> S\$	<u>2003</u> S\$	<u>2002</u> S\$
This is determined after charging/(crediting):-			
Auditors' remuneration	11,000	5,500	4,000
Bad trade debts written off	–	59,909	–
Depreciation	387,467	230,858	291,628
Directors' fees	–	500,000	350,000
Directors' remuneration	210,480	215,760	214,375
Foreign exchange (gain)/loss, net	(79,152)	102,103	(37,457)
Gain on disposal of plant and equipment	–	(14,000)	(12,300)
Interest expense to non-related companies	118,210	85,439	82,198
Interest income from non-related companies	–	(700)	–
Loss/(Gain) on trading in commodities	600,540	(20,147)	–
Operating lease expenses	118,018	66,542	69,001

17. TAXATION

	<u>2004</u> S\$	<u>2003</u> S\$	<u>2002</u> S\$
Current	334,000	268,000	251,000
Overprovision in prior years	(15,407)	–	–
	<u>318,593</u>	<u>268,000</u>	<u>251,000</u>

The income tax expense varied from the amount of income tax expense by applying the Singapore income tax rate of 20% (2003: 22% and 2002: 22%) to profit before taxation as a result of the following differences:

	<u>2004</u> S\$	<u>2003</u> S\$	<u>2002</u> S\$
Profit before taxation	1,498,907	1,114,055	1,027,658
Income tax expense at statutory rate	299,781	245,092	226,085
Tax effect on non-allowable items	32,908	15,402	9,224
Tax effect on deferred tax asset not provided on current year timing differences	11,474	18,294	21,443
Tax savings on partial tax exempt income	(10,500)	(11,550)	(11,550)
Overprovision in prior years	(15,407)	–	–
Others	337	762	5,798
	<u>318,593</u>	<u>268,000</u>	<u>251,000</u>

18. RELATED PARTY TRANSACTIONS

Related parties are entities with common direct or indirect shareholders and/or directors.

Some of the company's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties are reflected in these financial statements. The balances with these parties are unsecured, without fixed repayment terms and interest.

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18. RELATED PARTY TRANSACTIONS (Cont'd)

Significant transactions with related parties:

	<u>2004</u> S\$	<u>2003</u> S\$	<u>2002</u> S\$
Sales	308,001	415,650	677,906
Purchases	4,568,349	3,439,640	2,669,610
Purchase of plant and equipment	106,101	—	—

19. STAFF COST

	<u>2004</u> S\$	<u>2003</u> S\$	<u>2002</u> S\$
Wages, salaries and bonus	586,591	406,280	336,310
Employers' contribution to Central Provident Fund and SDL	62,838	49,402	34,299
Other staff related expenses	14,976	8,717	7,661
	<u>664,405</u>	<u>464,399</u>	<u>378,270</u>
Number of persons employed at the end of year	<u>24</u>	<u>21</u>	<u>14</u>

The staff costs exclude directors' remuneration.

20. CONTINGENT LIABILITIES

	<u>2004</u> S\$	<u>2003</u> S\$	<u>2002</u> S\$
Bankers' guarantee	346,000	—	—
Letters of credit	—	969,300	667,941
Performance guarantee	121,000	—	—
	<u>467,000</u>	<u>969,300</u>	<u>667,941</u>

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

The details of the securities are disclosed in Note 8.

Subsequent to year end, the company withdrew bankers' guarantee of S\$346,000.

21. CAPITAL COMMITMENT

	<u>2004</u> S\$	<u>2003</u> S\$	<u>2002</u> S\$
Amount contracted for but not provided for in the financial statements			
— Leasehold land and buildings	2,610,000	—	—

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22. FORWARD CONTRACTS

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

As at year end, the company had the following outstanding commitments:

	<u>2004</u> S\$	<u>2003</u> S\$	<u>2002</u> S\$
Bought contracts	–	2,396,826	–
Sold contracts	–	2,191,266	499,821

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

23. OPERATING LEASE COMMITMENTS

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

	<u>2004</u> S\$	<u>2003</u> S\$	<u>2002</u> S\$
Payable:			
Within one year	186,981	66,542	66,542
In the second to fifth years inclusive	747,924	266,168	266,168
After five years	3,696,347	149,715	216,255

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YLS STEEL PTE LTD

FINANCIAL STATEMENTS

FINANCIAL YEARS ENDED 30 JUNE 2002, 2003 AND 2004

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YLS STEEL PTE LTD

STATEMENT BY DIRECTORS

In the opinion of the directors, 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 as at 30 June 2002, 2003 and 2004 and the results of the business, changes in equity and cash flows of the company for the financial year ended on that date.

On behalf of the directors

Ang Yu Seng
Director

Ang Yew Lai
Director

Singapore, 16 September 2004

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REPORT OF THE AUDITORS TO THE MEMBERS OF
YLS STEEL PTE LTD

We have audited the accompanying financial statements of the company for the financial years ended 30 June 2002, 2003 and 2004. These financial statements of the company, which have been prepared and presented in accordance with Singapore Financial Reporting Standards, 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, the accompanying financial statements of the company present fairly, in all material respects, the financial positions of the company as at 30 June 2002, 2003 and 2004 and of the results, changes in equity and of the cash flows of the company for the financial years then ended and have been properly prepared in accordance with Singapore Financial Reporting Standards.

LTC & Associates
Certified Public Accountants

Singapore, 16 September 2004

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YLS STEEL PTE LTD

BALANCE SHEET AS AT 30 JUNE 2002, 2003 AND 2004

	<u>Note</u>	<u>2004</u> S\$	<u>2003</u> S\$	<u>2002</u> S\$
SHAREHOLDERS' EQUITY AND LIABILITIES				
Share capital	3	1,000,000	1,000,000	1,000,000
Retained profits		11,105,457	8,286,398	5,720,368
Proposed dividend		4,000,000	780,000	—
Shareholders' equity		16,105,457	10,066,398	6,720,368
Non-current liabilities: -				
Bank loans	4	2,979,504	3,458,830	5,996,711
Deferred taxation	5	202,500	202,500	195,500
Obligations under hire purchase contracts	6	409,091	899,919	1,528,737
Total non-current liabilities		3,591,095	4,561,249	7,720,948
Current liabilities:-				
Trade creditors	7	2,784,612	3,328,534	3,746,552
Other creditors	8	380,554	644,494	1,483,467
Bills payable, bank overdrafts and loans	4	2,164,082	2,316,926	1,684,799
Current portion of obligations under hire purchase contracts	6	792,733	1,158,094	1,032,511
Provision for taxation		2,987,320	1,469,530	740,567
Total current liabilities		9,109,301	8,917,578	8,687,896
Total shareholders' equity and liabilities		28,805,853	23,545,225	23,129,212
ASSETS				
Non-current assets:-				
Property, plant and equipment	9	14,080,173	15,210,217	15,866,854
Current assets:-				
Stocks	10	6,676,130	3,073,366	1,584,468
Trade debtors	11	3,852,508	5,086,895	4,436,940
Other debtors and prepayments	12	338,993	97,467	87,422
Cash and bank balances		3,858,049	77,280	1,153,528
Total current assets		14,725,680	8,335,008	7,262,358
Total assets		28,805,853	23,545,225	23,129,212

See accompanying notes to the financial statements

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YLS STEEL PTE LTD

INCOME STATEMENT
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2002, 2003 AND 2004

	<u>Note</u>	<u>2004</u> S\$	<u>2003</u> S\$	<u>2002</u> S\$
Revenue	13	55,289,802	47,406,408	34,056,614
Cost of sales		(42,441,605)	(38,587,498)	(29,406,077)
Gross profit		12,848,197	8,818,910	4,650,537
Other operating income	14	1,435,199	903,782	1,030,644
		14,283,396	9,722,692	5,681,181
Distribution costs		(2,780,130)	(2,415,625)	(2,423,307)
Administrative expenses		(2,565,401)	(2,352,544)	(2,321,199)
Other operating expenses		(36,608)	(164,344)	–
Profit from operations		8,901,257	4,790,179	936,675
Finance cost	15	(342,198)	(437,149)	(480,558)
Profit before taxation	16	8,559,059	4,353,030	456,117
Taxation	17	(1,740,000)	(1,007,000)	(88,500)
Net profit for the financial year		6,819,059	3,346,030	367,617

See accompanying notes to the financial statements

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YLS STEEL PTE LTD

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2002, 2003 AND 2004

	Share <u>capital</u> S\$	Retained <u>profits</u> S\$	Proposed <u>dividend</u> S\$	<u>Total</u> S\$
Balance as at 1 July 2001	1,000,000	5,352,751	–	6,352,751
Net profit	–	367,617	–	367,617
Balance as at 30 June 2002	1,000,000	5,720,368	–	6,720,368
Net profit	–	3,346,030	–	3,346,030
Proposed dividend of S\$1 per share less tax @ 22% totalling S\$780,000	–	(780,000)	780,000	–
Balance as at 30 June 2003	1,000,000	8,286,398	780,000	10,066,398
Net profit	–	6,819,059	–	6,819,059
Final dividend at S\$4 per share totalling S\$4,000,000	–	(4,000,000)	4,000,000	–
Dividend paid at S\$0.975 per share less tax @ 20% totalling S\$780,000	–	–	(780,000)	(780,000)
Balance as at 30 June 2004	1,000,000	11,105,457	4,000,000	16,105,457

See accompanying notes to the financial statements

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YLS STEEL PTE LTD

CASH FLOW STATEMENT

FOR THE FINANCIAL YEARS ENDED 30 JUNE 2002, 2003 AND 2004

	<u>2004</u> S\$	<u>2003</u> S\$	<u>2002</u> S\$
Cash flows from operating activities:-			
Profit before taxation	8,559,059	4,353,030	456,117
Adjustments for:			
Depreciation of property, plant and equipment	1,803,393	1,680,567	1,371,264
Interest expense	342,198	437,149	480,558
Interest income	—	(2,597)	(11,318)
Gain/(Loss) on disposal of plant and equipment	(219,700)	2,540	(111,900)
Operating profit before working capital changes	10,484,950	6,470,689	2,184,721
Stocks	(3,602,764)	(1,488,898)	1,661,045
Trade debtors	1,234,387	(649,955)	(1,511,730)
Other debtors and prepayments	(241,526)	(10,045)	63,394
Trade creditors	(543,922)	(418,018)	(336,436)
Other creditors	(263,940)	(838,973)	1,318,155
Cash generated from operations	7,067,185	3,064,800	3,379,149
Interest paid	(342,198)	(437,149)	(480,558)
Interest received	—	2,597	11,318
Income tax paid	(222,210)	(271,037)	(37,975)
Net cash from operating activities	6,502,777	2,359,211	2,871,934
Cash flows from investing activities:-			
Purchase of property, plant and equipment	(457,610)	(433,230)	(3,906,404)
Proceeds from disposal of plant and equipment	370,601	21,000	311,000
Repayment of hire purchase contracts	(1,222,829)	(1,117,475)	(1,031,414)
Net cash used in investing activities	(1,309,838)	(1,529,705)	(4,626,818)
Cash flows from financing activities:-			
Proceeds from long term bank loans	—	—	5,296,765
Repayment of long term bank loans	(487,124)	(2,883,676)	(3,300,086)
Increase in bills payable	596,627	627,403	488,341
Dividends paid to shareholders	(780,000)	—	—
Net cash (used in)/from financing activities	(670,497)	(2,256,273)	2,485,020
Net increase/(decrease) in cash and cash equivalents	4,522,442	(1,426,767)	730,136
Cash and cash equivalents at beginning of the financial year	(664,393)	762,374	32,238
Cash and cash equivalents at end of the financial year	3,858,049	(664,393)	762,374
Cash and cash equivalents comprise:-			
Cash and bank balances	3,858,049	77,280	1,153,528
Bank overdrafts (Note 4)	—	(741,673)	(391,154)
	3,858,049	(664,393)	762,374

During the year, the company acquired property, plant and equipment with an aggregate cost of S\$824,250 (2003: S\$1,047,470 and 2002: S\$5,585,283) of which S\$366,640 (2003: S\$614,240 and 2002: S\$1,678,879) were acquired by means of hire purchase contracts. Cash payment of S\$457,610 (2003: S\$433,230 and 2002: S\$3,906,404) was made to purchase these property, plant and equipment.

See accompanying notes to the financial statements

APPENDIX VI
AUDITED FINANCIAL STATEMENTS FOR UNION STEEL PTE. LTD.,
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YLS STEEL PTE LTD

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2002, 2003 AND 2004

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

1. GENERAL

The company is incorporated and domiciled in the Republic of Singapore.

Its principal activities are those of recycling of scrap metals, trading of steel products, waste collection and management, car scrapping services and rental of steel plates.

Its registered office is at 76 Joo Koon Circle, Singapore 629096 and its principal place of business is at 1 Wan Shih Road, Singapore 627900.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(I) Basis of presentation

(a) Basis of accounting

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

(b) Statement of compliance

The financial statements 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.

(II) Summary of significant accounting policies

(a) Stocks

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

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

(b) 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.

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(b) Property, plant and equipment and depreciation (Cont'd)

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, trucks and cranes	5 years

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

(c) Taxation

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

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

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

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

(d) Foreign currencies

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

(e) Assets under hire purchase

Where assets are under hire purchase agreements, the assets are capitalised in the financial statements and the corresponding obligation treated as a liability. The assets so capitalised are depreciated in accordance with the company'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.

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(f) Operating lease

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

(g) 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 company's cash management.

(h) Impairment of assets

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

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

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

(i) Provisions

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

(j) Employee benefits

Defined contribution plan

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

Employee entitlements

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

(k) Revenue recognition

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

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

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

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(k) Revenue recognition (Cont'd)

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

Interest income is recognised on a time proportionate basis.

(l) Financial risk management policies

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

Foreign exchange risk

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

Interest rate risk

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

Credit risk

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

Liquidity risk

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

(m) Trade and other debtors

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

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

(n) Trade and other creditors

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

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3. SHARE CAPITAL

	<u>2004</u> S\$	<u>2003</u> S\$	<u>2002</u> S\$
Authorised:			
1,000,000 ordinary shares of S\$1 each	1,000,000	1,000,000	1,000,000
Issued and fully paid:			
1,000,000 ordinary shares of S\$1 each	1,000,000	1,000,000	1,000,000

4. BILLS PAYABLE, BANK OVERDRAFTS AND LOANS

	<u>2004</u> S\$	<u>2003</u> S\$	<u>2002</u> S\$
Bank overdrafts	—	741,673	391,154
Bills payable to banks	1,712,371	1,115,744	488,341
Bank loan I	—	17,411	1,860,419
Bank loan II	980,000	1,340,000	1,700,000
Bank loan III	2,451,215	2,560,928	3,241,596
	5,143,586	5,775,756	7,681,510
Current portion	(2,164,082)	(2,316,926)	(1,684,799)
Non-current portion	2,979,504	3,458,830	5,996,711

Bank loans

(i) Bank loan I

A loan of S\$3,430,000 commencing in 1999, which is repayable by 119 equal monthly instalments of S\$28,584 and a final instalment of S\$28,504. It bears interest at 6.75% per annum. The bank loan was fully repaid during the financial year.

(ii) Bank loan II

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

(iii) Bank loan III

A loan of S\$3,241,596 commencing in 2002, which is repayable over 20 years by monthly instalment of S\$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.

These bank loans are secured by leasehold land and buildings as disclosed in Note 9.

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4. **BILLS PAYABLE, BANK OVERDRAFTS AND LOANS (Cont'd)**

Bank overdrafts and bills payable

- (i) Bank overdrafts, bills payable and other credit facilities granted to the company, which are secured by the legal mortgage of the company's certain leasehold land and buildings with net book value of about S\$5.4 million (2003: S\$5.7 million and 2002: S\$Nil) and joint and several guarantees by the directors of the company are as follows:-

	<u>2004</u> S\$	<u>2003</u> S\$	<u>2002</u> S\$
Bank overdrafts	—	134,838	—
Bills payable to banks	716,299	—	—
	<u>716,299</u>	<u>134,838</u>	<u>—</u>

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

	<u>2004</u> S\$	<u>2003</u> S\$	<u>2002</u> S\$
Bank overdrafts	—	606,835	391,154
Bills payable to banks	996,072	1,115,744	488,341
	<u>996,072</u>	<u>1,722,579</u>	<u>879,495</u>

The bank overdrafts and bills payable bear interest at rate ranges from 5% to 6.5% (2003: 5% to 6.5% and 2002: 5% to 6.5%) per annum.

5. **DEFERRED TAXATION**

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

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6. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

	<u>Minimum lease payments</u>			<u>Present value of minimum lease payments</u>		
	<u>2004</u> S\$	<u>2003</u> S\$	<u>2002</u> S\$	<u>2004</u> S\$	<u>2003</u> S\$	<u>2002</u> S\$
Minimum lease payments payable:						
Within one year	841,463	1,267,525	1,133,073	792,733	1,158,094	1,032,511
Within two to five years	430,410	952,789	1,675,366	409,091	895,824	1,512,753
After 5 years	–	4,982	19,339	–	4,095	15,984
	1,271,873	2,225,296	2,827,778	1,201,824	2,058,013	2,561,248
Finance charges allocated to future periods	(70,049)	(167,283)	(266,530)	–	–	–
Present value of minimum lease payments	1,201,824	2,058,013	2,561,248	1,201,824	2,058,013	2,561,248
Less: Repayable within one year included under current liabilities				(792,733)	(1,158,094)	(1,032,511)
Repayable after one year				409,091	899,919	1,528,737

The rate of interest ranges from 2% to 6% (2003: 2% to 6% and 2002: 2% to 6%) per annum.

The hire purchase contracts are guaranteed by directors of the company.

7. TRADE CREDITORS

	<u>2004</u> S\$	<u>2003</u> S\$	<u>2002</u> S\$
Outside parties	2,784,612	3,287,712	3,421,815
Related party	–	40,822	324,737
	2,784,612	3,328,534	3,746,552

8. OTHER CREDITORS

	<u>2004</u> S\$	<u>2003</u> S\$	<u>2002</u> S\$
Provision for directors' fees	–	300,000	500,000
Amount payable for purchase of property, plant and equipment	130,987	122,704	754,936
Rental deposit received	159,780	117,210	118,255
Sundry creditors	89,787	104,580	110,276
	380,554	644,494	1,483,467

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9. PROPERTY, PLANT AND EQUIPMENT

<u>2004</u>	<u>Leasehold land and buildings</u> S\$	<u>Air- conditioners, electrical installations and computers</u> S\$	<u>Containers, renovations and warehouse</u> S\$	<u>Furniture, fittings and office equipment</u> S\$	<u>Plant, machinery and material handling equipment</u> S\$	<u>Motor vehicles, trucks and cranes</u> S\$	<u>Total</u> S\$
Cost:							
As at 1 July 2003	12,453,112	147,682	617,320	65,558	7,337,322	2,111,929	22,732,923
Additions	–	5,169	54,500	60,000	459,071	245,510	824,250
Disposals	–	–	–	(34,000)	(1,064,101)	(71,000)	(1,169,101)
As at 30 June 2004	12,453,112	152,851	671,820	91,558	6,732,292	2,286,439	22,388,072
Accumulated depreciation:							
As at 1 July 2003	1,024,229	92,610	538,416	41,018	4,022,959	1,803,474	7,522,706
Depreciation charge for the year	499,529	23,952	47,032	14,984	972,207	245,689	1,803,393
Disposals	–	–	–	–	(953,200)	(65,000)	(1,018,200)
As at 30 June 2004	1,523,758	116,562	585,448	56,002	4,041,966	1,984,163	8,307,899
Net book value:							
As at 30 June 2004	10,929,354	36,289	86,372	35,556	2,690,326	302,276	14,080,173

<u>2003</u>	<u>Leasehold land and buildings</u> S\$	<u>Air- conditioners, electrical installations and computers</u> S\$	<u>Containers, renovations and warehouse</u> S\$	<u>Furniture, fittings and office equipment</u> S\$	<u>Plant, machinery and material handling equipment</u> S\$	<u>Motor vehicles, trucks and cranes</u> S\$	<u>Total</u> S\$
Cost:							
As at 1 July 2002	12,453,112	186,147	596,240	69,574	6,621,698	2,170,878	22,097,649
Additions	–	18,488	48,000	7,052	935,179	38,751	1,047,470
Disposals	–	(56,953)	(26,920)	(11,068)	(219,555)	(97,700)	(412,196)
As at 30 June 2003	12,453,112	147,682	617,320	65,558	7,337,322	2,111,929	22,732,923
Accumulated depreciation:							
As at 1 July 2002	524,700	125,621	525,204	42,272	3,332,682	1,680,316	6,230,795
Depreciation charge for the year	499,529	23,942	40,132	9,814	905,832	201,318	1,680,567
Disposals	–	(56,953)	(26,920)	(11,068)	(215,555)	(78,160)	(388,656)
As at 30 June 2003	1,024,229	92,610	538,416	41,018	4,022,959	1,803,474	7,522,706
Net book value:							
As at 30 June 2003	11,428,883	55,072	78,904	24,540	3,314,363	308,455	15,210,217

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9. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

<u>2002</u>	<u>Leasehold land and buildings</u> S\$	<u>Air- conditioners, electrical installations and computers</u> S\$	<u>Containers, renovations and warehouse</u> S\$	<u>Furniture, fittings and office equipment</u> S\$	<u>Plant, machinery and material handling equipment</u> S\$	<u>Motor vehicles, trucks and cranes</u> S\$	<u>Total</u> S\$
Cost:							
As at 1 July 2001	9,321,592	164,874	568,040	46,844	5,207,798	2,111,718	17,420,866
Additions	3,131,520	21,273	28,200	22,730	2,322,400	59,160	5,585,283
Disposals	–	–	–	–	(908,500)	–	(908,500)
As at 30 June 2002	12,453,112	186,147	596,240	69,574	6,621,698	2,170,878	22,097,649
Accumulated depreciation:							
As at 1 July 2001	141,077	103,486	480,792	31,877	3,417,739	1,393,960	5,568,931
Depreciation charge for the year	383,623	22,135	44,412	10,395	624,343	286,356	1,371,264
Disposals	–	–	–	–	(709,400)	–	(709,400)
As at 30 June 2002	524,700	125,621	525,204	42,272	3,332,682	1,680,316	6,230,795
Net book value:							
As at 30 June 2002	11,928,412	60,526	71,036	27,302	3,289,016	490,562	15,866,854

Certain plant and equipment with net book value of about S\$2.1 million (2003: S\$3.1 million and 2002: S\$3 million) are under hire purchase contracts.

Leasehold land and buildings with net book value of about S\$10.9 million (2003: S\$11.4 million and 2002: S\$11.9 million) are mortgaged with banks (Note 4).

10. STOCKS

	<u>2004</u> S\$	<u>2003</u> S\$	<u>2002</u> S\$
At cost			
Trading stocks	6,415,625	3,073,366	1,584,468
Stock in transit (Trading stocks)	260,505	–	–
	<u>6,676,130</u>	<u>3,073,366</u>	<u>1,584,468</u>

11. TRADE DEBTORS

	<u>2004</u> S\$	<u>2003</u> S\$	<u>2002</u> S\$
Outside parties	4,018,934	5,186,759	4,381,868
Less: Provision for doubtful debts	(166,426)	(137,704)	–
	<u>3,852,508</u>	<u>5,049,055</u>	<u>4,381,868</u>
Related party	–	37,840	55,072
	<u>3,852,508</u>	<u>5,086,895</u>	<u>4,436,940</u>

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11. TRADE DEBTORS (Cont'd)

Included in the trade debts of the company are amounts of S\$1,339,776, S\$1,837,582 and S\$1,202,975 relating to sales under letter of credit terms as of 30 June 2004, 2003 and 2002 respectively.

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

	<u>2004</u> S\$	<u>2003</u> S\$	<u>2002</u> S\$
Balance at beginning of year	137,704	—	—
Current year provision	28,722	137,704	—
Balance at end of year	166,426	137,704	—

12. OTHER DEBTORS AND PREPAYMENTS

	<u>2004</u> S\$	<u>2003</u> S\$	<u>2002</u> S\$
Deposit paid for the purchase of plant and equipment	171,630	—	—
Prepayments	167,363	65,017	50,311
Sundry debtors	—	32,450	37,111
	338,993	97,467	87,422

13. REVENUE

	<u>2004</u> S\$	<u>2003</u> S\$	<u>2002</u> S\$
Trading income	52,105,938	44,554,143	32,056,493
Rental income from steel plates	675,593	331,848	141,126
Service income	2,508,271	2,520,417	1,858,995
	55,289,802	47,406,408	34,056,614

14. OTHER OPERATING INCOME

	<u>2004</u> S\$	<u>2003</u> S\$	<u>2002</u> S\$
Interest income from non-related companies	—	2,597	11,318
Foreign exchange gain	—	—	60,667
Insurance claims	—	14,692	7,881
Other income	122,890	38,033	223,316
Gain on disposal of plant and equipment	219,700	—	111,900
Rental income	1,092,609	848,460	615,562
	1,435,199	903,782	1,030,644

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15. FINANCE COST

	<u>2004</u>	<u>2003</u>	<u>2002</u>
	S\$	S\$	S\$
Bank loans interest	177,593	255,833	320,750
Bank overdrafts interest	2,460	5,517	8,064
Hire purchase interest	121,022	136,392	115,622
Trust receipts interest	41,123	39,407	36,122
	<u>342,198</u>	<u>437,149</u>	<u>480,558</u>

16. PROFIT BEFORE TAXATION

	<u>2004</u>	<u>2003</u>	<u>2002</u>
	S\$	S\$	S\$
This is determined after charging/(crediting):-			
Auditors' remuneration	20,000	14,700	11,000
Depreciation	1,803,393	1,680,567	1,371,264
Directors' fees	-	300,000	500,000
Directors' remuneration	336,330	344,160	342,775
Foreign exchange loss/(gain),net	7,886	24,100	(60,667)
Operating lease expenses	778,635	521,462	539,362
Interest expense to non-related companies	342,198	437,149	480,558
Interest income from non-related companies	-	(2,597)	(11,318)
(Gain)/Loss on disposal of plant and equipment	(219,700)	2,540	(111,900)
Provision for doubtful trade debts	28,722	137,704	-
	<u>28,722</u>	<u>137,704</u>	<u>-</u>

17. TAXATION

	<u>2004</u>	<u>2003</u>	<u>2002</u>
	S\$	S\$	S\$
Current	1,740,000	1,000,000	83,000
Deferred taxation	-	7,000	5,500
	<u>1,740,000</u>	<u>1,007,000</u>	<u>88,500</u>

The income tax expense varied from the amount of income tax expense by applying the Singapore income tax rate of 20% (2003: 22% and 2002: 22%) to profit before taxation as a result of the following differences:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
	S\$	S\$	S\$
Profit before taxation	8,559,059	4,353,030	456,117
Income tax expense at statutory rate	1,711,812	957,667	100,346
Tax effect on non-allowable items	60,442	59,566	60,603
Tax savings on partial tax exempt income	(10,500)	(11,550)	(11,550)
Others	(21,754)	1,317	(60,899)
	<u>1,740,000</u>	<u>1,007,000</u>	<u>88,500</u>

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18. RELATED PARTY TRANSACTIONS

Related parties are entities with common direct or indirect shareholders and/or directors.

Some of the company's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties are reflected in these financial statements. The balances with these parties are unsecured, without fixed repayment terms and interest.

Significant transactions with related parties:

	<u>2004</u> S\$	<u>2003</u> S\$	<u>2002</u> S\$
Sales	2,108,314	1,800,021	1,568,871
Purchases	4,888,928	3,737,619	3,666,061
Service income	785,304	399,404	—
Sale of plant and equipment	106,101	—	—

19. STAFF COST

	<u>2004</u> S\$	<u>2003</u> S\$	<u>2002</u> S\$
Wages and salaries	1,282,265	1,374,737	1,364,595
Employers' contribution to Central Provident Fund and SDL	87,806	107,343	111,735
Other staff related expenses	31,056	32,796	49,508
	<u>1,401,127</u>	<u>1,514,876</u>	<u>1,525,838</u>
Number of persons employed at the end of year	55	48	58

The staff costs exclude directors' remuneration.

20. CONTINGENT LIABILITIES

	<u>2004</u> S\$	<u>2003</u> S\$	<u>2002</u> S\$
Bankers' guarantee	179,606	202,006	130,450
Letters of credit	—	275,237	2,090,139
Performance guarantee	183,300	50,000	50,000
	<u>362,906</u>	<u>527,243</u>	<u>2,270,589</u>

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

The details of the securities are disclosed in Note 4.

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21. CAPITAL COMMITMENT

	<u>2004</u> S\$	<u>2003</u> S\$	<u>2002</u> S\$
Amount contracted for but not provided for in the financial statements			
– Plant and machinery	1,680,000	–	–

22. FORWARD CONTRACTS

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

As at year end, the company had the following outstanding commitments:

	<u>2004</u> S\$	<u>2003</u> S\$	<u>2002</u> S\$
Bought contracts	–	750,454	228,866

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

23. OPERATING LEASE COMMITMENTS

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

	<u>2004</u> S\$	<u>2003</u> S\$	<u>2002</u> S\$
Payable:			
Within one year	744,828	506,820	310,584
In the second to fifth years inclusive	1,295,736	1,220,334	1,105,056
After five years	2,367,597	2,642,481	2,918,745

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AUDITED FINANCIAL STATEMENTS FOR UNION STEEL PTE. LTD.,
YLS STEEL PTE LTD AND YEW LEE SENG METAL PTE LTD

YEW LEE SENG METAL PTE LTD

FINANCIAL STATEMENTS

FINANCIAL YEARS ENDED 30 JUNE 2002, 2003 AND 2004

APPENDIX VI
AUDITED FINANCIAL STATEMENTS FOR UNION STEEL PTE. LTD.,
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YEW LEE SENG METAL PTE LTD

STATEMENT BY DIRECTORS

In the opinion of the directors, 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 as at 30 June 2002, 2003 and 2004 and the results of the business, changes in equity and cash flows of the company for the financial year ended on that date.

On behalf of the directors

Ang Yu Seng
Director

Ang Yew Lai
Director

Singapore, 16 September 2004

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AUDITED FINANCIAL STATEMENTS FOR UNION STEEL PTE. LTD.,
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REPORT OF THE AUDITORS TO THE MEMBERS OF
YEW LEE SENG METAL PTE LTD

We have audited the accompanying financial statements of the company for the financial years ended 30 June 2002, 2003 and 2004. These financial statements of the company, which have been prepared and presented in accordance with Singapore Financial Reporting Standards, 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, the accompanying financial statements of the company present fairly, in all material respects, the financial positions of the company as at 30 June 2002, 2003 and 2004 and of the results, changes in equity and of the cash flows of the company for the financial years then ended and have been properly prepared in accordance with Singapore Financial Reporting Standards.

LTC & Associates
Certified Public Accountants

Singapore, 16 September 2004

APPENDIX VI
AUDITED FINANCIAL STATEMENTS FOR UNION STEEL PTE. LTD.,
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YEW LEE SENG METAL PTE LTD

BALANCE SHEET AS AT 30 JUNE 2002, 2003 AND 2004

	Note	2004 S\$	2003 S\$	2002 S\$
SHAREHOLDERS' EQUITY AND LIABILITIES				
Share capital	3	120,000	120,000	120,000
Retained profits		7,978	1,499,858	1,098,889
Proposed dividend		3,000,000	–	–
Total shareholders' equity		3,127,978	1,619,858	1,218,889
Current liabilities:-				
Trade creditors	4	194,553	89,166	94,109
Other creditors	5	2,263	3,489	1,913
Provision for taxation		468,600	100,000	–
Total current liabilities		665,416	192,655	96,022
Total shareholders' equity and liabilities		3,793,394	1,812,513	1,314,911
ASSETS				
Non-current assets:-				
Plant and equipment	6	33,537	40,995	61,964
Current assets:-				
Stocks	7	575,567	293,144	238,145
Trade debtors	8	128,621	57,143	12,285
Prepayments		2,694	504	1,903
Cash and bank balances		3,052,975	1,420,727	1,000,614
Total current assets		3,759,857	1,771,518	1,252,947
Total assets		3,793,394	1,812,513	1,314,911

See accompanying notes to the financial statements

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AUDITED FINANCIAL STATEMENTS FOR UNION STEEL PTE. LTD.,
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YEW LEE SENG METAL PTE LTD

INCOME STATEMENT
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2002, 2003 AND 2004

	Note	2004 S\$	2003 S\$	2002 S\$
Revenue	9	7,579,023	5,273,622	4,283,726
Cost of sales		(5,266,475)	(4,156,342)	(3,406,580)
Gross profit		2,312,548	1,117,280	877,146
Other operating income	10	242,256	19,023	24,348
		2,554,804	1,136,303	901,494
Administrative expenses		(624,894)	(635,334)	(668,002)
Other operating expenses		(53,190)	–	–
Profit before taxation	11	1,876,720	500,969	233,492
Taxation	12	(368,600)	(100,000)	–
Net profit for the financial year		1,508,120	400,969	233,492

See accompanying notes to the financial statements

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YEW LEE SENG METAL PTE LTD

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2002, 2003 AND 2004

	Share <u>capital</u> S\$	Retained <u>profits</u> S\$	Proposed <u>dividend</u> S\$	<u>Total</u> S\$
Balance as at 1 July 2001	120,000	865,397	–	985,397
Net profit	–	233,492	–	233,492
Balance as at 30 June 2002	120,000	1,098,889	–	1,218,889
Net profit	–	400,969	–	400,969
Balance as at 30 June 2003	120,000	1,499,858	–	1,619,858
Net profit	–	1,508,120	–	1,508,120
Proposed dividend of S\$25 per share totalling S\$3,000,000	–	(3,000,000)	3,000,000	–
Balance as at 30 June 2004	120,000	7,978	3,000,000	3,127,978

See accompanying notes to the financial statements

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YEW LEE SENG METAL PTE LTD

CASH FLOW STATEMENT

FOR THE FINANCIAL YEARS ENDED 30 JUNE 2002, 2003 AND 2004

	<u>2004</u> S\$	<u>2003</u> S\$	<u>2002</u> S\$
Cash flows from operating activities:-			
Profit before taxation	1,876,720	500,969	233,492
Adjustments for:			
Depreciation of plant and equipment	22,018	20,820	25,625
Gain on disposal of plant and equipment	(220,000)	(13,342)	(19,000)
Operating profit before working capital changes	1,678,738	508,447	240,117
Stocks	(282,423)	(54,999)	160,443
Trade debtors	(71,478)	(44,858)	7,619
Prepayments	(2,190)	1,399	703
Trade creditors	105,387	(4,943)	2,228
Other creditors	(1,226)	1,576	513
Net cash generated from operating activities	1,426,808	406,622	411,623
Cash flows from investing activities:-			
Purchase of plant and equipment	(14,560)	(6,009)	(14,439)
Proceeds from disposal of plant and equipment	220,000	19,500	32,000
Net cash from investing activities	205,440	13,491	17,561
Net increase in cash and cash equivalents	1,632,248	420,113	429,184
Cash and cash equivalents at beginning of the financial year	1,420,727	1,000,614	571,430
Cash and cash equivalents at end of the financial year	3,052,975	1,420,727	1,000,614
Cash and cash equivalents comprise:-			
Cash and bank balances	3,052,975	1,420,727	1,000,614

See accompanying notes to the financial statements

APPENDIX VI
AUDITED FINANCIAL STATEMENTS FOR UNION STEEL PTE. LTD.,
YLS STEEL PTE LTD AND YEW LEE SENG METAL PTE LTD

YEW LEE SENG METAL PTE LTD

NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2002, 2003 AND 2004

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

1. GENERAL

The company is incorporated and domiciled in the Republic of Singapore.

Its principal activities are those of demolition of buildings and trading of ferrous and non-ferrous scrap metals.

Its registered office is at 14 Defu Lane 11 Singapore 539170.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(I) Basis of presentation

(a) Basis of accounting

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

(b) Basis of compliance

The financial statements 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.

(II) Summary of significant accounting policies

(a) Stocks

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

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

(b) Plant and equipment and depreciation

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

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

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 years
Motor vehicles, trucks and cranes	5 years

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

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(c) Taxation

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

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

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

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

(d) Operating leases

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

(e) Revenue recognition

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

Service income is recognised when services are rendered to customers.

(f) Impairment of assets

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

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

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

(g) Provisions

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

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(h) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits.

(i) Employee benefits

Defined contribution plan

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

Employee entitlements

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

(j) Financial risk management policies

The company's activities expose it to a variety of financial risks, including the credit and liquidity risks. The company has adopted risk management policies that seek to mitigate these risks in a cost-effective manner. Financial assets that expose the company to financial risk consist principally of cash and bank balances and trade debtors. Financial liabilities that expose the company to financial risk consist principally of trade creditors and other creditors. The carrying amounts of financial assets and liabilities approximate to their fair values as stated in these financial statements.

Credit risk

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

Liquidity risk

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

(k) Trade and other debtors

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

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

(l) Trade and other creditors

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

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3. SHARE CAPITAL

	<u>2004</u> S\$	<u>2003</u> S\$	<u>2002</u> S\$
Authorised: 1,000,000 ordinary shares of S\$1 each	1,000,000	1,000,000	1,000,000
Issued and fully paid: 120,000 ordinary shares of S\$1 each	120,000	120,000	120,000

4. TRADE CREDITORS

	<u>2004</u> S\$	<u>2003</u> S\$	<u>2002</u> S\$
Outside parties	194,553	89,166	94,109

5. OTHER CREDITORS

	<u>2004</u> S\$	<u>2003</u> S\$	<u>2002</u> S\$
Sundry creditors	2,263	3,489	1,913

6. PLANT AND EQUIPMENT

	<u>Air- conditioners, electrical installations and computers</u> S\$	<u>Containers, renovations and warehouse</u> S\$	<u>Furniture, fittings and office equipment</u> S\$	<u>Plant, machinery and material handling equipment</u> S\$	<u>Motor vehicles, trucks and cranes</u> S\$	<u>Total</u> S\$
<u>2004</u>						
Cost:						
As at 1 July 2003	134,606	174,004	36,909	1,265,872	68,300	1,679,691
Additions	1,710	6,000	350	6,500	–	14,560
Disposals	–	–	–	(780,284)	–	(780,284)
As at 30 June 2004	136,316	180,004	37,259	492,088	68,300	913,967
Accumulated depreciation:						
As at 1 July 2003	128,167	161,121	28,236	1,252,872	68,300	1,638,696
Depreciation charge for the year	3,564	7,018	3,706	7,730	–	22,018
Disposals	–	–	–	(780,284)	–	(780,284)
As at 30 June 2004	131,731	168,139	31,942	480,318	68,300	880,430
Net book value:						
As at 30 June 2004	4,585	11,865	5,317	11,770	–	33,537

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6. PLANT AND EQUIPMENT

<u>2003</u>	Air- conditioners, electrical installations and <u>computers</u> S\$	Containers, renovations and <u>warehouse</u> S\$	Furniture, fittings and office <u>equipment</u> S\$	Plant, machinery and material handling <u>equipment</u> S\$	Motor vehicles, trucks and <u>cranes</u> S\$	<u>Total</u> S\$
Cost:						
As at 1 July 2002	132,426	174,004	33,080	1,426,372	83,695	1,849,577
Additions	2,180	–	3,829	–	–	6,009
Disposals	–	–	–	(160,500)	(15,395)	(175,895)
As at 30 June 2003	134,606	174,004	36,909	1,265,872	68,300	1,679,691
Accumulated depreciation:						
As at 1 July 2002	124,944	155,304	24,600	1,405,228	77,537	1,787,613
Depreciation charge for the year	3,223	5,817	3,636	8,144	–	20,820
Disposals	–	–	–	(160,500)	(9,237)	(169,737)
As at 30 June 2003	128,167	161,121	28,236	1,252,872	68,300	1,638,696
Net book value:						
As at 30 June 2003	6,439	12,883	8,673	13,000	–	40,995
<u>2002</u>	Air- conditioners, electrical installations and <u>computers</u> S\$	Containers, renovations and <u>warehouse</u> S\$	Furniture, fittings and office <u>equipment</u> S\$	Plant, machinery and material handling <u>equipment</u> S\$	Motor vehicles, trucks and <u>cranes</u> S\$	<u>Total</u> S\$
Cost:						
As at 1 July 2001	130,536	167,774	31,061	1,799,072	83,695	2,212,138
Additions	1,890	6,230	2,019	4,300	–	14,439
Disposals	–	–	–	(377,000)	–	(377,000)
As at 30 June 2002	132,426	174,004	33,080	1,426,372	83,695	1,849,577
Accumulated depreciation:						
As at 1 July 2001	121,301	149,486	21,259	1,759,484	74,458	2,125,988
Depreciation charge for the year	3,643	5,818	3,341	9,744	3,079	25,625
Disposals	–	–	–	(364,000)	–	(364,000)
As at 30 June 2002	124,944	155,304	24,600	1,405,228	77,537	1,787,613
Net book value:						
As at 30 June 2002	7,482	18,700	8,480	21,144	6,158	61,964

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7. STOCKS

	<u>2004</u> S\$	<u>2003</u> S\$	<u>2002</u> S\$
At cost			
Trading stocks	575,567	293,144	238,145

8. TRADE DEBTORS

	<u>2004</u> S\$	<u>2003</u> S\$	<u>2002</u> S\$
Outside parties	181,811	57,143	12,285
Less: Provision for doubtful debts	(53,190)	—	—
	128,621	57,143	12,285

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

	<u>2004</u> S\$	<u>2003</u> S\$	<u>2002</u> S\$
Balance at beginning of year	—	—	—
Current year provision	53,190	—	—
Balance at end of year	53,190	—	—

9. REVENUE

	<u>2004</u> S\$	<u>2003</u> S\$	<u>2002</u> S\$
Trading income	7,078,678	5,088,992	4,283,726
Service income	500,345	184,630	—
	7,579,023	5,273,622	4,283,726

10. OTHER OPERATING INCOME

	<u>2004</u> S\$	<u>2003</u> S\$	<u>2002</u> S\$
Gain on disposal of plant and equipment	220,000	13,342	19,000
Miscellaneous income	22,256	5,681	5,348
	242,256	19,023	24,348

11. PROFIT BEFORE TAXATION

	<u>2004</u> S\$	<u>2003</u> S\$	<u>2002</u> S\$
This is determined after charging/(crediting):-			
Auditors' remuneration	4,500	2,900	2,800
Depreciation	22,018	20,820	25,625
Directors' remuneration	306,950	314,000	312,674
Gain on disposal of plant and equipment	(220,000)	(13,342)	(19,000)
Operating lease expenses	218,670	211,812	229,341
Provision for doubtful trade debts	53,190	—	—

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AUDITED FINANCIAL STATEMENTS FOR UNION STEEL PTE. LTD.,
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12. TAXATION

	<u>2004</u> S\$	<u>2003</u> S\$	<u>2002</u> S\$
Current	368,600	100,000	–

The income tax expense varied from the amount of income tax expense by applying the Singapore income tax rate of 20% (2003: 22% and 2002: 22%) to profit before taxation as a result of the following differences:

	<u>2004</u> S\$	<u>2003</u> S\$	<u>2002</u> S\$
Profit before taxation	1,876,720	500,969	233,492
Income tax expense at statutory rate	375,344	110,213	51,368
Tax effect on non-allowable items	618	750	842
Tax savings on partial tax exempt income	(10,500)	(11,550)	(2,798)
Tax savings on utilisation of unabsorbed tax losses brought forward	–	–	(51,482)
Others	3,138	587	2,070
	368,600	100,000	–

13. RELATED PARTY TRANSACTIONS

Related parties are entities with common direct or indirect shareholders and/or directors.

Some of the company's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties are reflected in these financial statements. The balances with these parties are unsecured, without fixed repayment terms and interest.

Significant transactions with related parties:

	<u>2004</u> S\$	<u>2003</u> S\$	<u>2002</u> S\$
Sales	7,034,842	5,044,112	4,239,209
Purchases	23,880	82,524	150,315
Demolition expenses	785,304	399,404	–
Sales of plant and equipment	30,000	–	–

14. STAFF COST

	<u>2004</u> S\$	<u>2003</u> S\$	<u>2002</u> S\$
Wages and salaries	247,594	175,375	145,094
Employers' contribution to Central Provident Fund and SDL	28,125	23,126	19,063
Other staff related expenses	4,551	3,901	2,026
	280,270	202,402	166,183
Number of persons employed at the end of the year	13	14	5

The staff costs exclude directors' remuneration.

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15. OPERATING LEASE COMMITMENTS

At the balance sheet date, the company had non-cancellable operating leases commitments in respect of the yard payable as follows:-

	<u>2004</u> S\$	<u>2003</u> S\$	<u>2002</u> S\$
Payable:			
Not later than one year	88,255	211,812	211,812
Later than one year and not later than five years	–	88,255	300,067

16. CONTINGENT LIABILITY

	<u>2004</u> S\$	<u>2003</u> S\$	<u>2002</u> S\$
Insurance guarantee (unsecured)	35,653	35,653	35,653

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

17. RE-ISSUE AUDIT

The financial statements for the financial year ended 30 June 2002 and 2003 had been reported on by the predecessor auditor, Chan Kok Poh & Company, in their audit reports dated 17 April 2003 and 15 December 2003 respectively. Their reports were not subject to any qualifications, modifications and disclaimers.

APPENDIX VII

RULES OF THE UNION STEEL HOLDINGS EMPLOYEE SHARE OPTION SCHEME

NAME OF THE SCHEME

The Scheme shall be called the “**UNION STEEL HOLDINGS EMPLOYEE SHARE OPTION SCHEME**”.

1. **Definitions**

In these Rules, unless the context otherwise requires, the following words and expressions shall have the following meanings:

“ Act ”	: The Companies Act, Chapter 50 of Singapore, as amended or modified from time to time.
“ Adoption Date ”	: The date on which the Scheme is adopted by the Company in general meeting.
“ Aggregate Subscription Price ”	: The total amount payable for Scheme Shares to be acquired on the exercise of an Option.
“ Auditors ”	: The auditors of the Company for the time being.
“ Board ”	: The Board of Directors of the Company for the time being.
“ CDP ”	: The Central Depository (Pte) Limited.
“ Committee ”	: A committee comprising Directors who are duly authorised and appointed by the Board to administer the Scheme.
“ Company ”	: Union Steel Holdings Limited.
“ Date of Grant ”	: The date on which an Option is granted pursuant to Rule 2, being the date of the letter of offer granting such Option, in or substantially in the form set out in Schedule A.
“ Director ”	: Any director, whether an Executive Director or a Non-Executive Director, of the Company for the time being.
“ Discount ”	: In relation to a Discounted Subscription Price, the discount over the Market Price, as determined by the Committee in its discretion in accordance with Rule 3.2, provided that such Discount shall not exceed 20%.
“ Discounted Subscription Price ”	: A Subscription Price which is set at a Discount as determined by the Committee in its absolute discretion in accordance with Rule 3.2.
“ Employees ”	: Full-time employees and Directors selected by the Committee to participate in the Scheme in accordance with Rule 2.1.
“ Executive Director ”	: A Director who performs an executive function.
“ Market Day ”	: A day on which the Stock Exchange is open for trading in securities.

APPENDIX VII

RULES OF THE UNION STEEL HOLDINGS EMPLOYEE SHARE OPTION SCHEME

- “Market Price”** : The average of the last dealt prices per Share determined by reference to the daily official list or other publication published by the Stock Exchange for a period of five (5) consecutive Market Days immediately preceding the relevant Date of Grant rounded up in the case of cents (if applicable) to the nearest whole cent, provided that in the case of a Market Day on which the Shares are not traded on the Stock Exchange, the last dealt price for Shares on such Market Day shall be deemed to be the last dealt price of the Shares on the immediately preceding Market Day on which the Shares were traded.
- “Non-Executive Director”** : A Director who does not perform an executive function.
- “Offeree”** : A person who meets the criteria set out in Rule 2.1, and has been selected by the Committee to participate in the Scheme.
- “Option”** : The right to subscribe for Scheme Shares granted or to be granted pursuant to the Scheme for the time being subsisting.
- “Option Period”** : Subject as provided in Rules 2 and 5 and any other conditions as may be introduced by the Committee from time to time:
- (a) *In relation to Options which are granted at a Subscription Price which is equivalent to the Market Price:*
 - (i) Subject to paragraph (a)(ii) below, a period commencing on a date not earlier than the first (1st) anniversary of the Date of Grant and expiring on the tenth (10th) anniversary of the Date of Grant; and
 - (ii) For Options granted to Non-Executive Directors a period commencing on a date not earlier than the first (1st) anniversary of the Date of Grant and expiring on the fifth (5th) anniversary of the Date of Grant;
 - (b) *In relation to Options which are granted at a Discounted Subscription Price:*
 - (i) Subject to paragraph (b)(ii) below, a period commencing on a date not earlier than the second (2nd) anniversary of the Date of Grant and expiring before the tenth (10th) anniversary of the Date of Grant; and
 - (ii) For Options granted to Non-Executive Directors, a period commencing on a date not earlier than the second (2nd) anniversary of the Date of Grant and expiring on the fifth (5th) anniversary of the Date of Grant.

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“Participant”	: The holder of an Option.
“Record Date”	: The date, at the close of business, on which Shareholders must be registered in order to participate in any dividends, rights, allotments or other distributions.
“Scheme”	: The Union Steel Holdings Employee Share Option Scheme, as the same may be amended from time to time.
“Scheme Shares”	: The Shares to be issued pursuant to the exercise of Options granted under the Scheme.
“SGX-ST” or “Stock Exchange”	: Singapore Exchange Securities Trading Limited (including any successor entity or body).
“SGX-ST Listing Manual”	: The SGX-ST Listing Manual, as amended or modified from time to time.
“Shareholders”	: The registered holders of the Shares, except that where CDP is the registered holder, the term “Shareholders” shall, in relation to such Shares mean the persons to whose securities accounts maintained with CDP (excluding securities sub-accounts) such Shares are credited.
“Shares”	: Ordinary shares of S\$0.06 each (or such other par value as may be determined by the Board in accordance with Rule 8) in the capital of the Company.
“Subscription Price”	: The price at which a Participant shall subscribe for each Scheme Share upon the exercise of an Option (as determined in accordance with Rule 3).
“S\$”	: Singapore dollars.
“%” or “per cent”	: Per centum or percentage.

The terms **“Depositor”**, **“Depository Agent”** and **“Depository Register”** shall have the same meanings ascribed to them respectively by Section 130A of the Act.

For the purpose of the Scheme:

- (a) in relation to a company, **“control”** means the capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of that Company;
- (b) in relation to the Company, reference to a controlling shareholder thereof shall mean an individual who is a controlling shareholder at the relevant time; and
- (c) the terms **“controlling shareholder”** and **“associate”** (in relation to a controlling shareholder), shall have the meanings respectively assigned to them in the SGX-ST Listing Manual (or other equivalent listing rules) for the time being of the SGX-ST.

Words importing the singular shall, where applicable, include the plural and vice versa and words importing one gender shall include the other gender.

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Any reference in the Scheme to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act or any statutory modification thereof and used in the Scheme shall have the meaning assigned to it under the Act.

Any reference to a time of day in the Scheme shall be a reference to Singapore time unless otherwise stated.

2. Grant of Options

2.1 The Committee may, at its absolute discretion, select any of the following persons (unless they are also Controlling Shareholders of our Company or associates of such Controlling Shareholders) to participate in the Scheme:

- (a) Employees; and
- (b) Directors,

Provided Always That any of the aforesaid persons selected by the Committee to participate in the Scheme:

- (i) must be at least of twenty-one (21) years of age; and
- (ii) must not be an undischarged bankrupt.

For the avoidance of doubt, any Non-Executive Director who is a nominee of any Shareholder, selected by the Committee to participate in the Scheme, shall only be entitled to accept any Options granted to him, if such Shareholder agrees to his participation in the Scheme.

2.2 Controlling Shareholders and their associates shall not be eligible to participate in the Scheme.

2.3 Offerees and Participants who are eligible and selected to participate in the Scheme shall not be prohibited from participating in any other share option or share incentive scheme, whether or not implemented by any of the companies within the Group or any other company.

2.4 The Committee may, subject to Rule 7, grant Options to such Offeree as it may select in its absolute discretion at any time, except that no Options shall be granted:-

- (a) during the period commencing one (1) month before the announcement of the Group's interim results and final results, and ending on the day such results are announced; and
- (b) at any time after any matter of an exceptional nature involving unpublished price sensitive information has occurred or has been the subject of a decision until the eighth Market Date after such price sensitive information has been publicly announced.

2.5 The Letter of Offer to grant the Option shall be in or substantially in the form set out in Schedule A (subject to modification by the Committee at its discretion from time to time). The Option shall be personal to the Offeree to whom it is granted and shall not be transferred, charged, assigned, pledged or otherwise disposed of or encumbered in whole or in part (the breach of which shall entitle the Committee to treat the grant of such Option as being invalid and ineffective), but may be exercised by the Offeree's duly appointed personal representative as provided in Rule 4.4 in the event of the death of the Offeree or with the prior approval of the Committee.

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- 2.6 The number of Scheme Shares to be offered to an Offeree in accordance with the Scheme shall be determined at the discretion of the Committee who shall in addition to the performance of the Company, take into account criteria such as the rank, length of service and performance of the Offeree; **Provided Always That** the maximum entitlement of any Offeree, in accordance with and during the operation of the Scheme, shall not exceed 20% in aggregate of the total number of Scheme Shares which have been issued and may be issued by the Company (including any Shares which may be issued pursuant to adjustments, if any, under Rule 8) pursuant to the exercise of Options under the Scheme;
- 2.7 The grant of an Option to an Offeree under this Rule 2, if accepted by the Offeree, shall be accepted by the Offeree within thirty (30) days from the Date of Grant and, in any event, not later than 5.00 p.m. on the thirtieth day from such Date of Grant by completing, signing and returning the Acceptance Form set out in Schedule B, subject to modifications as determined by the Committee, accompanied by payment of S\$1.00 (or its equivalent) as consideration. The Offeree may accept or refuse the whole or part of the offer. If only part of the offer is accepted, the Offeree shall accept the offer in multiples of 1,000 Scheme Shares.
- 2.8 If the grant of an Option is not accepted in the manner as provided in Rule 2.7, such offer shall upon the expiry of the thirty (30) day period automatically lapse and shall be null and void and of no effect.
- 2.9 The offer shall cease and lapse forthwith automatically and shall no longer be available for acceptance in the following events:
- (a) the death of the Offeree prior to his acceptance of the offer;
 - (b) the Offeree ceasing to be in the employment of the Company for any reason whatsoever; or
 - (c) the liquidation of the Company.
- 2.10 Failure by the Offeree to complete the Company's prescribed Acceptance Form in accordance with its requirements may render invalid the Offeree's acceptance of an offer. Any Acceptance Form received after the closing date shall not be valid. The offer is deemed not accepted until actual receipt by the Company of the Acceptance Form.
- 2.11 Every Option shall be granted subject to the condition that no Scheme Shares shall be issued pursuant to the exercise of an Option if such issue would be contrary to any law or enactment, or any rules or regulations of any legislative or non-legislative governing body for the time being in force in Singapore or any other relevant country. In the event that a grant of an Option results in a contravention of any applicable law or regulation, such grant shall be null and void and of no effect and the relevant Participant shall have no claim whatsoever against the Company.
- 2.12 Participants who are Shareholders are to abstain from voting on any shareholders' resolution relating to the Scheme.
- 3. Subscription Price and Payment**
- 3.1 Subject to any adjustment effected pursuant to Rule 8, the Subscription Price for each Scheme Share on the exercise of an Option shall be the Market Price, or the nominal value of the Shares, whichever is the higher.

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- 3.2 Subject to any applicable laws, rules and regulations, the Committee may at its discretion set the Subscription Price at a Discount to the Market Price; **Provided Always That:**
- (a) the maximum Discount shall not exceed 20%, and shall have been approved by Shareholders in a separate resolution; and
 - (b) the Discounted Subscription Price shall not be lower than the nominal value of the Shares.
4. **Rights to Exercise Options**
- 4.1 An Option shall be exercisable, in whole or in part, at any time during the Option Period in accordance with Rules 4, 5 and 6; **Provided Always That** the exercise of an Option (including without limitation, the time and manner of such exercise) shall be subject to and in accordance with guidelines as may from time to time be prescribed by the Committee. Notwithstanding any provisions herein, the Committee shall be entitled to treat any exercise of an Option as being invalid or ineffective (whereupon the Option shall lapse) if the Committee has determined or has reason to believe that such exercise would or may be contrary to any law or enactment, or any rules, regulations or guidelines of any regulatory or other relevant authority or body (including without limitation, the Stock Exchange) for the time being in force.
- 4.2 An Option shall, to the extent unexercised, immediately lapse without any claim against the Company:
- (a) upon the expiry of the Option Period;
 - (b) upon the expiry of the periods referred to in Rules 4.3 and 4.4;
 - (c) on the date on which a Participant ceases to be an Employee (within the meaning set out in Rule 4.3 below) on the grounds that he has been guilty of misconduct, or has been convicted of any criminal offence involving his integrity or honesty;
 - (d) on the date on which a Participant commits a breach under Rule 2.6 if the Committee treats the grant of the Option as being invalid and ineffective;
 - (e) subject to Rules 4.3 and 4.4, upon the Participant for any reason whatsoever ceasing to satisfy the eligibility criteria set out in Rule 2.1 as the Committee may determine; or
 - (f) upon the bankruptcy of the Participant or the happening of any other event which results in his being deprived of the legal or beneficial ownership of such Option.
- 4.3 If a Participant ceases to be employed by the Company for any reason other than on his death or the termination of his employment on one or more of the grounds specified in Rule 4.2(c), the Participant may exercise the Option up to his or her entitlement at the date of cessation of employment (to the extent he is entitled to exercise at the date of cessation of employment but not already exercised) within the period of one (1) month following the date of such cessation of employment (which shall be deemed to be his last actual working day with the Company whether salary is paid in lieu of notice or not), or such longer period as may be determined by the Committee in its absolute discretion, provided that the aforesaid period shall fall within the Option Period. Upon the expiry of the aforesaid period, the Option, to the extent unexercised, shall lapse.
- 4.4 If a Participant dies before exercising the Option in full, such Option may, at the discretion of the Committee, be exercised by the duly appointed personal representative of the Participant to its full extent within the period of twelve (12) months from the date of death (or before the expiry of the Option Period, whichever is earlier) or such longer period as the Committee may determine, regardless of whether all or any part of the Option has become exercisable as at the date of death under the original terms of grant.

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4.5 If a Participant ceases to be employed by the Company by reason of his:

- (a) ill health, injury or disability (in each case, evidenced to the satisfaction of the Committee);
- (b) redundancy;
- (c) retirement at or after the legal retirement age;
- (d) retirement before the legal retirement age with the consent of the Committee; or
- (e) any other reason approved in writing by the Committee,

he may, at the discretion of the Committee, exercise any unexercised Option(s) within the Option Period or otherwise as may be determined by the Committee in its absolute discretion.

4.6 If a Participant, being a Non-Executive Director, ceases to be a director of the Company for any reason whatsoever, any Option then held by him shall, to the extent unexercised, immediately lapse without any claim against the Company, unless otherwise determined by the Committee in its absolute discretion. In exercising such discretion, the Committee may also determine the number of Scheme Shares in respect of which that Option may be exercised and the period during which such Option may continue to be exercisable, provided that such period may not in any event exceed the Option Period applicable to such Option.

4.7 Notwithstanding any provision to the contrary, the Committee may, in its absolute discretion, by notice to the Participants, suspend the exercise of any Option for such period as the Committee may determine, provided that the period of suspension shall not exceed in aggregate sixty (60) days in any one (1) year.

5. Take-over or Winding Up of the Company

5.1 In the event of a take-over offer being made for the Shares, Participants (including Participants holding Options which are not then exercisable pursuant to the provisions of Rule 4.1) holding Options as yet unexercised shall, subject to Rule 5.5, be entitled to exercise such Options in full or in part (as may be determined by the Committee in its absolute discretion) in the period commencing on the date on which such take-over offer is made or, if such take-over offer is conditional, the date on which the take-over offer becomes or is declared unconditional, as the case may be, and ending on the earlier of:

- (a) the expiry of twenty-one (21) days thereafter (unless prior to the expiry of such twenty-one (21) day period, at the recommendation of the offeror and with the approvals of the Committee, the Stock Exchange, and/or such other relevant regulating authority, such expiry date is extended to a later date (being a date falling not later than the date of expiry of the Option Period relating thereto); or
- (b) the date of the expiry of the Option Period relating thereto,

whereupon any Option then remaining unexercised shall lapse and be null and void, **Provided Always That** if during such period the offeror becomes entitled or bound to exercise the rights of the Shares compulsory acquisition under the Act and, being entitled to do so, gives notice to the Participants that it intends to exercise such rights on a specified date, the Option shall remain exercisable by the Participant until the expiry of such specified date or the expiry of the Option Period relating thereto, whichever is earlier. Any Option not so exercised shall lapse provided that the rights of acquisition or obligations to acquire shall have been exercised or performed, as the case may be. If such rights or obligations have not been exercised or performed, the Option shall, notwithstanding Rule 4.2 remain exercisable until the expiry of the Option Period relating thereto.

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- 5.2 If under the Act, the court sanctions a compromise or arrangement, proposed for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with another company or companies, each Participant shall be entitled, notwithstanding Rule 4 but subject to Rule 5.5 below, to exercise any Option then held by him, at the discretion of the Committee, in respect of such number of Scheme Shares comprised in that Option as may be determined by the Committee, during the period commencing on the date upon which the compromise or arrangement is sanctioned by the Court and ending either on the expiry of twenty-one (21) days thereafter or the date upon which the compromise or arrangement, as the case may be, becomes effective, whichever is the later (but not after the expiry of the Option Period relating thereto), whereupon the Option shall lapse and become null and void.
- 5.3 In the event of a members' solvent voluntary winding up (other than for the purposes of amalgamation or reconstruction), the Participants shall, notwithstanding that the resolution in respect of such winding up is passed prior to the commencement of the Option Period relating to any of the Options of any Participant, subject to Rule 5.5, be entitled within 21 days of the passing of the resolution of such winding up (but not after the expiry of the Option Period relating thereto) to exercise any unexercised Options, at the discretion of the Committee, in respect of such number of Scheme Shares comprised in that Option as may be determined by the Committee, after which such unexercised Options shall lapse and become null and void.
- 5.4 If an order or an effective resolution is passed for the winding-up of the Company on the basis of its insolvency, all Options, to the extent unexercised, shall lapse and become null and void.
- 5.5 If in connection with the making of a general offer referred to in Rule 5.1 above or the scheme referred to in Rule 5.2 above or the winding up referred to in Rules 5.3 and 5.4 above, arrangements are made (which are confirmed in writing by the Auditors, acting only as experts and not as arbitrators, to be fair and reasonable) for the compensation of Participants, whether by the continuation of their Options or the payment of cash or the grant of other Options or otherwise, a Participant holding an Option, as yet not exercised, may not, at the discretion of the Committee, be permitted to exercise that Option as provided for in this Rule 5.
- 5.6 To the extent that an Option is not exercised within the periods referred to in this Rule 5, it shall lapse and become null and void.

6. Exercise of Options, Allotment and Listing of Scheme Shares

- 6.1 Subject to Rule 4.1, an Option may be exercised, in whole or in part (provided that, unless the Committee otherwise agrees, an Option may be exercised in part only in respect of 1,000 Scheme Shares or any multiple thereof), by a Participant giving notice in writing to the Company, in the form or substantially in the form set out in Schedule C (subject to such modification as the Committee may from time to time determine). Such notice must be accompanied by a remittance for the Aggregate Subscription Price in respect of the Scheme Shares for which that Option is exercised and any other documentation the Committee may require. All payments pursuant to this Clause shall be made by cheque, cashier's order, bankers' draft or postal order made out in favour of the Company or such other mode of payment as may be acceptable to the Company. An Option shall be deemed to be exercised upon the receipt by the Company of the said notice, duly completed and signed, and the Aggregate Subscription Price the relevant CDP charges (as applicable), and such other documentation as are required by the Committee.
- 6.2 Upon receipt of the notice, remittances or any other documentation referred to in Rule 6.1 and subject to such consents or other required action of any competent authority under regulations or enactments for the time being in force as may be necessary and subject to compliance with these Rules, and the Memorandum and Articles of Association of the Company, the Company shall within ten (10) Market Days after the exercise of an Option, allot and issue the relevant Scheme Shares, and despatch to CDP the relevant share certificates by ordinary post or such other mode as the Committee may deem fit.

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- 6.3 Scheme Shares which are allotted on the exercise of an Option by a Participant shall be issued in the name of CDP or its nominees to be credited to the Participant's securities account with CDP or sub-account maintained with a Depository Agent.
- 6.4 The Scheme Shares, when allotted and issued on the exercise of an Option, shall be subject to all the provisions of the Memorandum and Articles of Association of the Company, and shall rank in full for all entitlements including dividends or other distributions declared or recommended in respect of the then existing issued Shares, the Record Date for which is on or after the date upon which such exercise takes place, and shall in all other respects rank *pari passu* with other Shares then in issue.
- 6.5 So long as the Shares in issue are listed on the Stock Exchange, the Company shall, as soon as practicable after the exercise of an Option apply to the Stock Exchange and any other stock exchanges on which the Shares are quoted, for permission to deal in and for quotation of such Scheme Shares to be issued and allotted pursuant to the exercise of Options by a Participant on the SGX-ST and such other stock exchanges, as the case may be.
- 6.6 Options granted under the Scheme will not be listed on the SGX-ST.
- 6.7 The Company shall keep available sufficient unissued Shares to satisfy the exercise in full of all Options for the time being remaining capable of being exercised, provided that such Shares set apart shall not exceed fifteen per cent. (15%) of the total issued share capital of the Company.

7. Limitation on the Size of the Scheme

The aggregate number of Scheme Shares over which the Committee may grant Options on any date, when added to the number of Shares issued and issuable in respect of all Options granted under the Scheme (and if applicable, options granted under any other employees' share option scheme adopted from time to time by the Company) shall not exceed fifteen per cent (15%) of the issued share capital of the Company on the day preceding that date.

8. Variation of Capital

- 8.1 If a variation in the issued share capital of the Company (whether by way of a capitalisation of profits or reserves or rights issue, reduction, sub-division, consolidation or distribution) shall take place or if the Company shall make a declaration of a dividend (whether interim or final and whether in cash or in specie), then:

- (a) the Subscription Price for the Scheme Shares, the nominal amount, class and (or number of Scheme Shares comprised in an Option to the extent unexercised); and/or
- (b) the nominal amount, class and/or number of Scheme Shares over which Options may be granted under the Scheme,

shall be adjusted in such manner as the Committee may determine to be appropriate and upon the written confirmation of the Auditors (acting only as experts and not as arbitrators), except in relation to a capitalisation issue where no such certification shall be required, that in their opinion, such adjustment is fair and reasonable. The adjustment must be made in such a way that a Participant will not receive a benefit that a Shareholder does not receive.

- 8.2 Notwithstanding the provisions of Rule 8.1, no adjustment shall be made:

- (a) if as a result of such adjustment, the Subscription Price would fall below the nominal amount of a Share and if such adjustment would, but for this paragraph (a), result in the Subscription Price being less than the nominal amount of a Share, the Subscription Price payable shall be the nominal amount of a Share;

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- (b) unless the Committee having considered all relevant circumstances, considers it equitable to do so; and
- (c) if as a result of such adjustment, the Participant receives a benefit that a Shareholder does not receive.

8.3 Unless the Committee considers an adjustment to be appropriate:

- (a) the issue of securities as consideration for an acquisition or a private placement of securities;
- (b) the cancellation of issued Shares purchased or acquired by the Company by way of a market purchase of such Shares undertaken by the Company on the Stock Exchange during the period when a share purchase mandate granted by Shareholders (including any renewal of such mandate) is in force; or
- (c) any increase in the issued share capital of the Company as a consequence of the exercise of the Options or other convertibles issued from time to time by the Company entitling holders thereof to subscribe for new Shares in the capital of the Company (including the exercise of any Options granted pursuant to the Scheme),

shall not normally be regarded as a circumstance requiring adjustment.

- 8.4 Upon any adjustment made pursuant to this Rule, the Company shall notify the Participant (or his duly appointed personal representative, where applicable) in writing and deliver to him (or his duly appointed personal representative where applicable) a statement setting forth the Subscription Price thereafter in effect and the nominal value, class and/or number of Scheme Shares thereafter to be issued on the exercise of the Option. Any adjustment shall take effect upon such written notification being despatched.
- 8.5 The Committee shall make any such adjustment that is necessary to comply with the regulations of the Stock Exchange or any other stock exchange on which the Shares are quoted or listed and shall not make any adjustment not permitted by such regulations.

9. Administration of the Scheme

- 9.1 The Scheme shall be administered by the Committee in its absolute discretion with such powers and duties as are conferred on it by the Board, provided that no member of the Committee shall participate in any deliberation or decision in respect of Options to be granted to him or held by him.
- 9.2 The Committee shall have the power, from time to time, to make and vary such regulations (not being inconsistent with the Scheme) for the implementation and administration of the Scheme as they may deem fit.
- 9.3 Any decision of the Committee, made pursuant to any provision of the Scheme (other than a matter to be certified by the Auditors), shall be final and binding (including any decisions pertaining to disputes as to the interpretation of the Scheme or any rule, regulation, or procedure thereunder or as to any rights under the Scheme).
- 9.4 Neither the Scheme nor the grant of Options under the Scheme shall impose on the Company or the Committee any liability whatsoever in connection with the lapsing or early expiration of any Option pursuant to any provision of the Scheme, and/or the failure or refusal of the Committee to exercise, or the exercise of the Committee of, any discretion under the Scheme, and/or any decision or determination of the Committee pursuant to any provision of the Scheme.

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10. Disclosures in Annual Report

The Company shall, as required by law or the SGX-ST or other relevant authority, disclose information relating to the Options, including but not limited to disclosures relating to the following in its annual report:

- (a) The names of the members of the Committee administering the Scheme; and
- (b) The information required in the table below for the following Participants of the Scheme:
 - (i) Directors of the Company;
 - (ii) Participants, other than those in (i) above, who receive 5% or more of the total number of Options available under the Scheme;

Name of Participant	Options granted during the financial year under review (including terms)	Aggregate Options granted since commencement of the Scheme to end of the financial year under review	Aggregate Options exercised since commencement of the Scheme to end of the financial year under review	Aggregate Options outstanding as at the end of the financial year under review

- (c) the number and proportion of Options granted at a discount during the financial year under review in respect of every 10% discount range, up to the maximum quantum of discount granted.

11. Notices

Any notice or other communication under or in connection with the Scheme may be given by personal delivery or by sending the same by post, in the case of a company to its registered office, and in the case of an individual to his last known address, or to the address of the place of business at which he performs the whole or substantially the whole of the duties of his office or employment, and where a notice or other communication is given by post, it shall be deemed to have been received 48 hours after it was put into the post properly addressed and stamped.

12. Alteration of the Scheme

12.1 This Scheme may be altered in any respect by resolution of the Committee except that:

- (a) no alteration shall alter adversely the rights attaching to any Options granted prior to such alteration except with the consent in writing of such number of Participants who, if they exercised their Options in full, would thereby become entitled to not less than three-quarters ($\frac{3}{4}$) in nominal value of all the Scheme Shares which would be allotted upon exercise in full of all outstanding Options;
- (b) the definitions of “**Committee**”, “**Employee**”, “**Offeree**”, “**Option Period**”, “**Participant**” and “**Subscription Price**” and the provisions of Rules 2, 3, 4, 5, 6.4, 7, 8, 9 and this Rule 12 shall not be altered to the advantage of Participants except with the prior sanction of the Company in general meeting;
- (c) any modification or alteration which would be to the advantage of Participants shall be subject to the prior approval of the Shareholders in general meeting; and
- (d) no alteration shall be made without the prior approval of the Stock Exchange and such other regulatory authorities as may be necessary.

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12.2 Notwithstanding anything to the contrary contained in Rule 12.1, the Committee may at any time by resolution (and save for the prior approval of the Stock Exchange, without any other formality) amend or alter the Scheme in any way to the extent necessary to cause the Scheme to comply with, or otherwise as may be permitted in accordance with, any law or enactment, or any rules, regulations or guidelines of any regulatory or other relevant authority or body (including without limitation, the Stock Exchange) for the time being in force.

12.3 Written notice of any alteration made in accordance with this Rule 12 shall be given to all Participants.

13. Terms of Employment Unaffected

The terms of employment of a Participant shall not be affected by his participation in the Scheme which shall neither form part of such terms nor entitle him to take into account such participation in calculating any compensation or damages on the termination of his employment for any reason.

14. Duration of the Scheme

14.1 The Scheme shall continue to be in force at the discretion of the Committee, subject to a maximum period of ten (10) years commencing on the Adoption Date, provided always that the Scheme may continue beyond the above stipulated period with the approval of the Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

14.2 The expiry or termination of the Scheme shall not affect Options (including related Option Periods) which have been granted and accepted as provided in Rule 2.7, but remained unexercised at the expiry or termination of the Scheme.

15. Termination

The Scheme may be terminated at any time by the Committee or by resolution of the Company in general meeting subject to all relevant approvals which may be required and if the Scheme is so terminated, no further Options shall be offered by the Company hereunder.

16. Taxes

All taxes (including income tax) arising from the exercise of any Option granted to any Participant under the Scheme shall be borne by that Participant.

17. Costs and Expenses of the Scheme

17.1 Each Participant shall be responsible for all fees of CDP relating to or in connection with the issue and allotment of any Scheme Shares in CDP's name, the deposit of share certificate(s) with CDP, the Participant's securities account with CDP, or the Participant's securities sub-account with a Depository Agent.

17.2 Save for the taxes referred to in Rule 16 and such other costs and expenses expressly provided in the Scheme to be payable by the Participants, all fees, costs and expenses incurred by the Company in relation to the Scheme including but not limited to the fees, costs and expenses relating to the allotment and issue of the Scheme Shares by the Company pursuant to the exercise of any Option shall be borne by the Company.

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18. Disclaimer of Liability

Notwithstanding any provisions contained herein and subject to the Act, the Committee and the Company shall not under any circumstances be held liable for any costs, losses, expenses and damages whatsoever and howsoever arising in any event, including but not limited to the Company's delay in issuing and allotting the Scheme Shares or in applying for or procuring the listing of the Scheme Shares on the Stock Exchange in accordance with Rule 6.5 and any other stock exchanges on which the Shares are quoted or listed.

19. Disputes

Any disputes or differences of any nature arising hereunder shall be referred to the Committee and its decision shall be final and binding in all respects.

20. Governing Law

This Scheme shall be governed by and construed in accordance with the laws of the Republic of Singapore. The Participants, by accepting Options in accordance with the Scheme, agree to submit to the jurisdiction of the courts of Singapore.

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SCHEDULE A

UNION STEEL HOLDINGS EMPLOYEE SHARE OPTION SCHEME

LETTER OF OFFER OF OPTION

PRIVATE & CONFIDENTIAL

Serial No : _____

Date

To: Name
Designation
Address

Dear Sir/Madam

We have the pleasure of informing you that you have been nominated by the Committee of Directors administering the **Union Steel Holdings Employee Share Option Scheme** (the “**Scheme**”) to participate in the Scheme.

Accordingly, an offer is hereby made to grant you an option (the “**Option**”), in consideration of the payment of a sum of S\$_____ (or its equivalent), to subscribe for and be allotted _____ ordinary shares of S\$_____ each in the capital of the Company (the “**Shares**”) at the *Subscription Price/Discounted Subscription Price of S\$_____ per Share.

The Option shall be subject to the terms and conditions of the Scheme as set out in the rules of the Scheme, a copy of which is enclosed herewith.

If you accept the offer, you may exercise the Option during the period from _____ to _____.

The Option is personal to you and shall not be transferred, charged, pledged, assigned or otherwise disposed of or encumbered by you, in whole or in part, to any other person whomsoever.

If you wish to accept the offer, please sign and return the enclosed Acceptance Form with a sum of S\$1.00 (or its equivalent) not later than _____ (a.m./p.m.) on the _____ day of _____ 20_____ (within 30 days of the offer), failing which this offer will lapse.

Yours faithfully
for and on behalf of
Union Steel Holdings Limited

Enc

** Delete accordingly*

Note:

Terms and expressions not defined herein have the same meanings ascribed to them in the Rules of the Scheme.

APPENDIX VII
RULES OF THE UNION STEEL HOLDINGS EMPLOYEE SHARE OPTION SCHEME

SCHEDULE B

UNION STEEL HOLDINGS EMPLOYEE SHARE OPTION SCHEME

ACCEPTANCE FORM

PRIVATE & CONFIDENTIAL

Serial No : _____

To: **The Committee, Union Steel Holdings Employee Share Option Scheme**

Closing Date for Acceptance of Offer	: date (within 30 days of the offer)
Number of Shares offered	: number of shares
Subscription Price per Share or Discounted Subscription Price per Share	: S\$_____
Total Amount Payable (to exercise Option in full)	: S\$_____

I have read your letter of offer dated _____ in relation to the granting of an Option to me and agree to be bound by the Rules of the **Union Steel Holdings Employee Share Option Scheme** (the “**Scheme**”) and the aforesaid letter of offer. I confirm that my acceptance of the Option will not result in the contravention of any applicable law or regulation in relation to the ownership of Shares in the Company or Options to subscribe for such Shares. I hereby accept the Option to subscribe for _____ ordinary shares of S\$. each in the share capital of **Union Steel Holdings Limited** at the *Subscription Price/Discounted Subscription Price of S\$_____ per Share and enclose cash for S\$_____.

I understand that I am not obliged to exercise my Option to subscribe for Shares in the Company.

I confirm that as at the date hereof I am not less than 21 years old or an undischarged bankrupt.

I acknowledge that you have not made any representation or warranty or given me any expectation of employment or continued employment to induce me to participate in the Scheme or accept the offer, and that the terms of the letter of offer dated _____, the Rules of the Scheme and this Acceptance Form constitute the entire agreement between us relating to the offer.

I agree to keep all information pertaining to the grant of Option to me confidential.

APPENDIX VII

RULES OF THE UNION STEEL HOLDINGS EMPLOYEE SHARE OPTION SCHEME

Please Print in Block Letters

Name in full : _____

Designation : _____

Address : _____

Nationality : _____

NRIC/Passport No. : _____

Signature : _____

Date : _____

** Delete accordingly*

Notes:

1. Shares must be accepted in full or in multiples of 1,000.
2. The Acceptance Form must be forwarded to the Committee in an envelope marked "Private and Confidential".
3. The participant shall be informed by the Company of the relevant CDP charges payable at the time of the exercise of an option.
4. Terms and expressions not defined herein have the same meanings ascribed to them in the Rules of the Scheme.

APPENDIX VII
RULES OF THE UNION STEEL HOLDINGS EMPLOYEE SHARE OPTION SCHEME

SCHEDULE C

UNION STEEL HOLDINGS EMPLOYEE SHARE OPTION SCHEME

EXERCISE NOTICE

PRIVATE & CONFIDENTIAL

Serial No : _____

To: **The Committee, Union Steel Holdings Employee Share Option Scheme**

Total number of shares of S\$0.06 each in the capital of Union Steel Holdings Limited offered at the *Subscription Price/Discounted Subscription Price of S\$_____ for each Share under the **Union Steel Holdings Employee Share Option Scheme** (the “**Scheme**”) on _____
(Date of Grant of Letter of Offer of Option) :

Number of Shares previously allotted and issued thereunder :

Outstanding balance of Shares to be allotted and issued thereunder :

Number of Shares now to be subscribed (in multiples of 1,000) :

1. Pursuant to the Company’s Letter of Offer dated _____ (“**Letter of Offer**”) and my acceptance thereof, I hereby exercise the Option to subscribe for _____ ordinary shares of S\$_____ each (in multiples of 1,000) in the capital of **Union Steel Holdings Limited** at the *Subscription Price/Discounted Subscription Price of S\$_____ for each Share.
2. I wish to pay for the Aggregate Subscription Price in respect of the said Shares by way of the enclosed cheque/cashier’s order/bankers’ draft/postal order no. _____ for S\$_____ *now/in being the aggregate of the *Subscription Price/Discounted Subscription Price payable for the Subscription Shares of S\$_____ and CDP Charges of S\$_____.
3. I request the Company to instruct the Central Depository (Pte) Limited (“**CDP**”) to credit the above payment(s) to my Securities Account specified below:-

*(a) Direct Securities Account No. : _____

or

*(b) Sub-Account No. : _____

Name of Depository Agent : _____

APPENDIX VII

RULES OF THE UNION STEEL HOLDINGS EMPLOYEE SHARE OPTION SCHEME

4. I request the Company to issue and register the share certificate(s) relating to the said Shares in the name of CDP for crediting of my Securities Account specified above and I hereby agree to bear such fees or other charges as may be imposed by CDP and any stamp duty payable in respect thereof. I also request the Company to despatch the share certificate(s) to CDP, by ordinary post and at my own risk.
5. I agree to subscribe for the said Shares subject to the terms of the Letter of Offer, the Rules of the Scheme (as the same may from time to time be amended pursuant to the terms thereof) and the Memorandum and Articles of Association of the Company.
6. I declare that I am subscribing for the said Shares for myself and not as a nominee for any other person.
7. I undertake to notify the Company's Share Registrar of any change in any of my particulars as given herein.

Please Print in Block Letters

Name in full : _____

Designation : _____

Address : _____

Nationality : _____

NRIC/Passport No. : _____

Signature : _____

Date : _____

** Delete accordingly*

Notes:

1. Shares must be accepted in full or in multiples of 1,000.
2. The Exercise Notice must be forwarded to the Company Secretary in an envelope marked "Private and Confidential".
3. Terms and expressions not defined herein have the same meanings ascribed to them in the Rules of the Scheme.

APPENDIX VIII

TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

Applications are invited for the subscription and/or purchase of the Invitation Shares at the Invitation Price subject to the following terms and conditions:

1. **YOUR APPLICATION MUST BE MADE IN LOTS OF 1,000 INVITATION SHARES OR HIGHER INTEGRAL MULTIPLES THEREOF. APPLICATIONS FOR ANY OTHER NUMBER OF INVITATION SHARES WILL BE REJECTED.**
2. Your application for the Offer Shares may be made by way of Offer Shares Application Forms or by way of Electronic Applications through the ATMs of the Participating Banks. Applications for the Placement Shares (other than Reserved Shares) may only be made by way of Placement Shares Application Forms. Applications for Reserved Shares may only be made by way of Reserved Shares Application Forms. **YOU MAY NOT USE YOUR CPF FUNDS TO APPLY FOR THE INVITATION SHARES.**
3. **You are allowed to submit only one application in your own name for either the Offer Shares or the Placement Shares (other than Reserved Shares). If you are submitting an application for the Offer Shares by way of an Application Form, you MAY NOT submit another application for the Offer Shares by way of an Electronic Application and *vice versa*. Such separate applications shall be deemed to be multiple applications and shall be rejected.**

If you (not being an approved nominee company) have submitted an application in your own name, you should not submit any other application whether by way of an Application Form or by way of an Electronic Application, for any other person. Such separate applications shall be deemed to be multiple applications and will be liable to be rejected at the discretion of our Company.

If you have made an application for Placement Shares (other than Reserved Shares), you should not make any application for Offer Shares by way of an Application Form or by way of an Electronic Application and *vice versa*. Such separate applications shall be deemed to be multiple applications and will be liable to be rejected at the discretion of our Company.

Joint or multiple applications shall be rejected. If you submit or procure submissions of multiple share applications (whether for Offer Shares, Placement Shares or both Offer Shares and Placement Shares), you may be deemed to have committed an offence under the Penal Code, Chapter 224 of Singapore and the Securities and Futures Act, Chapter 289 of Singapore, and your applications may be referred to the relevant authorities for investigation. Multiple applications or those appearing to be or suspected of being multiple applications will be liable to be rejected at our discretion.

If you have made an application for Reserved Shares using the Reserved Shares Application Form, you may submit one separate application for the Offer Shares in your own name either by way of an Application Form or by way of an Electronic Application or submit one separate application for Placement Shares (other than Reserved Shares) provided that you adhere to the terms and conditions of this Prospectus. Such separate applications shall not be treated as multiple applications.

4. We will not accept applications from any person under the age of 21 years, undischarged bankrupts, sole-proprietorships, partnerships, non-corporate bodies, joint Securities Account holders of CDP and applicants whose addresses (furnished in their Application Forms or, in the case of Electronic Applications, contained in the records of the relevant Participating Banks, as the case may be) bear post office box numbers. No person acting or purporting to act on behalf of a deceased person is allowed to apply under the Securities Account with CDP in the deceased's name at the time of application.

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TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

5. We will not recognise the existence of a trust. Any application by a trustee or trustees must be made in his/their own name(s) and without qualification. Applications made by way of an Application Form in the name(s) of an approved nominee company or approved nominee companies must comply with paragraph 6 below.
6. **WE WILL ONLY ACCEPT NOMINEE APPLICATIONS FROM APPROVED NOMINEE COMPANIES.** Approved nominee companies are defined as banks, merchant banks, finance companies, insurance companies, licensed securities dealers in Singapore and nominee companies controlled by them. Applications made by persons acting as nominees other than approved nominee companies shall be rejected.
7. **IF YOU ARE NOT AN APPROVED NOMINEE COMPANY, YOU MUST MAINTAIN A SECURITIES ACCOUNT WITH CDP IN YOUR OWN NAME AT THE TIME OF YOUR APPLICATION.** If you do not have an existing Securities Account with CDP in your own name at the time of your application, your application will be rejected (if your application is by way of an Application Form), or you will not be able to complete your Electronic Application (if your application is by way of an Electronic Application). If you have an existing Securities Account with CDP but fail to provide your Securities Account number or provide an incorrect Securities Account number in section B of the Application Form or in your Electronic Application, as the case may be, your application is liable to be rejected. Subject to paragraph 8 below, your application shall be rejected if your particulars such as name, NRIC/passport number, nationality and permanent residence status provided in your Application Form or in the records of the relevant Participating Bank at the time of your Electronic Application, as the case may be, differ from those particulars in your Securities Account as maintained with CDP. If you possess more than one individual direct Securities Account with CDP, your application shall be rejected.
8. **If your address stated in the Application Form or, in the case of an Electronic Application, in the records of the relevant Participating Bank, as the case may be, is different from the address registered with CDP, you must inform CDP of your updated address promptly, failing which the notification letter on successful allotment and other correspondence from the CDP will be sent to your address last registered with CDP.**
9. **Our Company and the Vendors reserve the right to reject any application which does not conform strictly to the instructions set out in the Application Forms and this Prospectus or which does not comply with the instructions for Electronic Applications or with the terms and conditions of this Prospectus or, in the case of an application by way of an Application Form, which is illegible, incomplete, incorrectly completed or which is accompanied by an improperly drawn or improper form of remittance. Our Company and the Vendors further reserve the right to treat as valid any applications not completed or submitted or effected in all respects in accordance with the terms and conditions of this Prospectus, the instructions set out in the Application Forms or the instructions for the Electronic Applications and also to present for payment or other processes all remittances at any time after receipt and to have full access to all information relating to, or deriving from, such remittances or the processing thereof.**
10. Our Company and the Vendors reserve the right to reject or accept any application or to accept any application in whole or in part, or to scale down or ballot any application, without assigning any reason therefor, and no enquiry and/or correspondence on the decision of our Company and the Vendors will be entertained. This right applies to applications made by way of Application Forms and by way of Electronic Applications. In deciding the basis of acceptance, due consideration will be given to the desirability of allotting and/or allocating the Invitation Shares to a reasonable number of applicants with a view to establishing an adequate market for the Shares.

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11. Share certificates will be registered in the name of CDP and will be forwarded only to CDP. It is expected that CDP will send to you, at your own risk, within 15 Market Days after the close of the Application List, a statement of account stating that your Securities Account has been credited with the number of Invitation Shares allotted and/or allocated to you. This will be the only acknowledgement of application monies received and is not an acknowledgement by our Company and the Vendors. You irrevocably authorise CDP to complete and sign on your behalf as transferee or renouncee any instrument of transfer and/or other documents required for the issue or transfer of the Invitation Shares allotted and/or allocated to you. This authorisation applies to applications made by way of Application Forms and by way of Electronic Applications.
12. In the event that our Company lodges a supplementary or replacement prospectus pursuant to the Securities and Futures Act or any applicable legislation in force from time to time prior to the close of the Invitation, and the Invitation Shares have not been issued and/or sold, we will (as required by law) at our Company's sole and absolute discretion either:-
- (a) within 7 days of the lodgement of the supplementary or replacement prospectus, give you a copy of the supplementary or replacement prospectus, as the case may be, and provide you with an option to withdraw your application; or
 - (b) deem your application as withdrawn and cancelled and refund your application monies (without interest or any share of revenue or other benefit arising therefrom) to you within 7 days from the lodgement of the supplementary or replacement prospectus.

In the event that at any time of the lodgement, the Invitation Shares have already been issued and/or sold but trading has not commenced, we will (as required by law) at our Company's sole and absolute discretion either:-

- (a) within 7 days of the lodgement of the supplementary or replacement prospectus, give you a copy of the supplementary or replacement prospectus, as the case may be, and provide you with an option to return the Invitation Shares; or
- (b) deem the issue and/or sale of the Invitation Shares as void and refund your payment for the Invitation Shares (without interest or any share of revenue or other benefit arising therefrom) to you within 7 days from the lodgement of the supplementary or replacement prospectus.

Additional terms and instructions applicable upon the lodgement of the supplementary or replacement prospectus, including instructions on how you can exercise the option to withdraw your application or return the Invitation Shares allotted and/or allocated to you, may be found in such supplementary or replacement prospectus.

Where an applicant has notified us within 14 days from the date of lodgement of the supplementary or replacement prospectus of his wish to exercise his option under the Securities and Futures Act to withdraw his application or return the Invitation Shares allotted and/or allocated to him, we shall (as well as on behalf of the Vendors) pay to him all monies paid by him on account of his application for the Invitation Shares without interest or any share of revenue or other benefit arising therefrom and at his own risk, within 7 days from the receipt of such notification.

13. By completing and delivering an Application Form and, in the case of an Electronic Application, by pressing the "Enter" or "OK" or "Confirm" or "Yes" or any other relevant key on the ATM in accordance with the provisions herein, you:-
- (a) irrevocably offer to subscribe for and/or purchase the number of Invitation Shares specified in your application (or such smaller number for which the application is accepted) at the Invitation Price and agree that you will accept such Invitation Shares as may be allotted and/or allocated to you, in each case on the terms of, and subject to the conditions set out in, this Prospectus and our Memorandum and Articles of Association;

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- (b) agree that in the event of any inconsistency between the terms and conditions for application set out in this Prospectus and those set out in the ATMs of the Participating Banks, the terms and conditions set out in this Prospectus shall prevail;
- (c) agree that the aggregate Invitation Price for the Invitation Shares applied for is due and payable to our Company and/or the Vendors; and
- (d) warrant the truth and accuracy of the information provided in your application.

14. In the event of an under-subscription for Offer Shares as at the close of the Application List, the number of Offer Shares not subscribed for and/or purchased shall be made available to satisfy applications for Placement Shares to the extent that there is an over-subscription for Placement Shares as at the close of the Application List.

In the event of an under-subscription for Placement Shares (including the Reserved Shares) as at the close of the Application List, that number of Placement Shares not subscribed for and/or purchased shall be made available to satisfy applications for Offer Shares to the extent that there is an over-subscription for Offer Shares as at the close of the Application List. Any Reserved Shares not taken up will be made available first to satisfy other applications for the Placement Shares to the extent that there is an over-subscription for the Placement Shares and then to satisfy applications for Offer Shares to the extent that there is an over-subscription for Offer Shares.

In the event of an over-subscription for the Offer Shares and the number of Placement Shares (including the Reserved Shares) are fully subscribed for or over-subscribed as at the close of the Application List, the successful applications for the Offer Shares will be determined by ballot or otherwise as determined by our Directors and the Vendors, after consultation with OCBC Bank, and approved by the SGX-ST.

In the event of an under-subscription for the Offer Shares and/or Placement Shares as at the close of the Application List, the number of Offer Shares and/or Placement Shares under-subscribed shall be subscribed for by the Underwriter and/or the Placement Agent respectively.

In all the above instances, the basis of allotment and/or allocation of the Invitation Shares as may be decided by our Company and the Vendors, after consultation with OCBC Bank, and approved by the SGX-ST, in ensuring a reasonable spread of the shareholders of our Company, shall be made public, as soon as practicable, via an announcement through the SGX-ST and by advertisement in a generally circulating daily press.

15. You irrevocably authorise CDP to disclose the outcome of your application, including the number of Invitation Shares allotted and/or allocated to you pursuant to your application, to the Company, the Manager, the Underwriter, the Placement Agent and/or any other parties so authorised by CDP, the Company, the Manager, the Underwriter and/or the Placement Agent.
16. Acceptance of applications will be conditional upon, *inter alia*, our Company and the Vendors being satisfied that:-
- (a) permission has been granted by the SGX-ST to deal in and for quotation of all our existing Shares, the Invitation Shares and the Option Shares on the Official List of the SGX-ST;
 - (b) no stop order has been issued by the Authority under the Securities and Futures Act; and
 - (c) the Management and Underwriting Agreement and the Placement Agreement referred to in the section entitled "General and Statutory Information - Miscellaneous" of this Prospectus have become unconditional and have not been terminated.

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TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

17. In the event that a stop order in respect of the Invitation Shares is served by the Authority or other competent authority, and
- (a) the Invitation Shares have not been issued and/or sold, we will (as required by law) deem all applications as withdrawn and cancelled and we shall (as well as on behalf of the Vendors) refund the application monies (without interest or any share of revenue or other benefit arising therefrom) to you within 14 days of the date of the stop order; or
 - (b) the Invitation Shares have been issued and/or sold but trading has not commenced, the issue and/or sale of the Invitation Shares will (as required by law) be deemed to be void; and:
 - (i) in the case where the Invitation Shares have been issued, we shall refund the application monies (without interest or any share of revenue or other benefit arising therefrom) to you within 14 days of the date of the stop order; or
 - (ii) in the case where the Invitation Shares have been sold, (a) we will, on behalf of the Vendors, inform you to return such documents to our Company within 14 days from the date of the stop order; and (b) we will refund the application monies (without interest or share of revenue or other benefit arising therefrom) to you within seven days from the receipt of those documents (if applicable) or the date of the stop order, whichever is later.

This shall not apply where only an interim stop order has been served.

In the event that an interim stop order in respect of the Invitation Shares is served by the Authority or other competent authority, no Invitation Shares shall be issued and/or sold to you until the Authority revokes the interim stop order.

18. The Authority is not able to serve a stop order in respect of the Invitation Shares if the Invitation Shares have been issued and/or sold, listed on a securities exchange and trading in them has commenced.
19. No application will be held in reserve.
20. This Prospectus is dated 2 August 2005. No Shares shall be allotted and/or allocated on the basis of this Prospectus later than six months after the date of registration of this Prospectus.
21. Additional terms and conditions for applications by way of Application Forms are set out on pages VIII-1 to VIII-5 of this Prospectus.
22. Additional terms and conditions for applications by way of Electronic Applications are set out on pages VIII-10 to VIII-15 of this Prospectus.
23. Any reference to “you” or the “applicant” in this section shall include an individual, a corporation, an approved nominee company and trustee applying for the Offer Shares by way of an Offer Shares Application Form or by way of an Electronic Application or applying for the Placement Shares by way of a Placement Shares Application Form; or an individual and a corporation applying for the Reserved Shares by way of a Reserved Shares Application Form.

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TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

ADDITIONAL TERMS AND CONDITIONS FOR APPLICATIONS USING APPLICATION FORMS

You shall make an application by way of an Application Form on and subject to the terms and conditions of this Prospectus including but not limited to the terms and conditions appearing below as well as those set out under this section on “TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS” on pages VIII-1 to VIII-5 of this Prospectus, as well as our Memorandum and Articles of Association.

1. Your application for Offer Shares must be made using the **WHITE** Application Form and **WHITE** official envelopes “A” and “B” for Offer Shares accompanying and forming part of this Prospectus.

Application for Placement Shares (other than Reserved Shares) must be made using the **BLUE** Application Form for Placement Shares (other than Reserved Shares) accompanying and forming part of this Prospectus. Applications for Reserved Shares must be made using the **PINK** Application Forms for Reserved Shares forming part of this Prospectus.

Attention is drawn to the detailed instructions contained in the respective Application Forms and this Prospectus for the completion of the Application Forms which must be carefully followed. **We reserve the right to reject applications which do not conform strictly to the instructions set out in the Application Forms and this Prospectus or to the terms and conditions of this Prospectus or which are illegible, incomplete, incorrectly completed or which are accompanied by improperly drawn or improper forms of remittances.**

2. Your Application Forms must be completed in English. Please type or write clearly in ink using **BLOCK LETTERS**.
3. All spaces in the Application Forms except those under the heading “**FOR OFFICIAL USE ONLY**” must be completed and the words “**NOT APPLICABLE**” or “**N.A.**” should be written in any space that is not applicable.
4. Individuals, corporations, approved nominee companies and trustees must give their names in full. If you are an individual, you must make your application using your full name as it appears in your identity card (if you have such an identification document) or in your passport and, in the case of a corporation, in your full name as registered with a competent authority. If you are not an individual and you are completing the Application Form under the hand of an official, you must state the name and capacity in which that official signs. If you are a corporation completing the Application Form, you are required to affix your Common Seal (if any) in accordance with your Memorandum and Articles of Association or equivalent constitutive documents. If you are a corporate applicant and your application is successful, a copy of your Memorandum and Articles of Association or equivalent constitutional documents must be lodged with our Share Registrar and Share Transfer Office. We reserve the right to require you to produce documentary proof of identification for verification purposes.
5.
 - (a) You must complete page 1 and Sections A and B of the Application Forms.
 - (b) You are required to delete either paragraph 7(a) or 7(b) on page 1 of the Application Forms. Where paragraph 7(a) is deleted, you must also complete Section C of the Application Forms with particulars of the beneficial owner(s).
 - (c) If you fail to make the required declaration in paragraph 7(a) or 7(b), as the case may be, on page 1 of the Application Forms, your application is liable to be rejected.

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6. You (whether an individual or corporate applicant, whether incorporated or unincorporated and wherever incorporated or constituted) will be required to declare whether you are a citizen or a permanent resident of Singapore or corporation in which citizens or permanent residents of Singapore or any body corporate constituted under any statute of Singapore have an interest in the aggregate of more than 50% of the issued share capital of or interests in such corporation. If you are an approved nominee company, you are required to declare whether the beneficial owner of the Invitation Shares is a citizen or permanent resident of Singapore or a corporation (whether incorporated or unincorporated and wherever incorporated or constituted) in which citizens or permanent residents of Singapore or any body corporate (whether incorporated or unincorporated and wherever incorporated or constituted under any statute of Singapore) have an interest in the aggregate of more than 50% of the issued share capital of or interests in such corporation.
7. Your application must be accompanied by a remittance in Singapore currency for the full amount payable, in respect of the number of Invitation Shares applied for, in the form of a BANKER'S DRAFT or CASHIER'S ORDER drawn on a bank in Singapore, made out in favour of **"UNION STEEL SHARE ISSUE ACCOUNT"** crossed "A/C PAYEE ONLY", with your name and address written clearly on the reverse side. WE WILL NOT ACCEPT APPLICATIONS NOT ACCOMPANIED BY ANY PAYMENT OR ACCOMPANIED BY ANY OTHER FORM OF PAYMENT. We will REJECT REMITTANCES BEARING "NOT TRANSFERABLE" or "NON TRANSFERABLE" crossings. No acknowledgement of receipt will be issued by our Company, the Vendors or the Manager for applications and application monies received.
8. Monies in respect of unsuccessful applications are expected to be returned to you by ordinary post (without interest or any share of revenue or other benefit arising therefrom) within 24 hours of balloting at your own risk. Where your application is rejected or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk within 14 days after the close of the Application List. If the completion of the Invitation does not occur because permission from the SGX-ST is not granted or for any other reason, monies paid in respect of any application accepted will be returned to you at your own risk (without interest or any share of revenue or other benefit arising therefrom). In the event that the Invitation is cancelled by us following the termination of the Management and Underwriting Agreement and/or the Placement Agreement, the application monies received will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk within 5 Market Days of the termination of the Invitation. In the event that the Invitation is cancelled by us following the issuance of a stop order by the Authority or any competent authority, the application monies received will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk within 14 days from the date of the stop order.
9. Capitalised terms used in the Application Forms and defined in this Prospectus shall bear the meanings assigned to them in this Prospectus.
10. In consideration of us having distributed the Application Form to you and agreeing to close the Application List at 12.00 noon on 11 August 2005 or such other time or date as we and the Vendors may, in consultation with the Manager, decide and by completing and delivering the Application Form, you agree that:-
 - (a) your application is irrevocable;
 - (b) your remittance will be honoured on first presentation and that any application monies returnable may be held pending clearance of your payment without interest or any share of revenue or other benefit arising therefrom;
 - (c) all applications, acceptances and contracts resulting therefrom under the Invitation shall be governed by and construed in accordance with the laws of Singapore and that you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;

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- (d) in respect of the Invitation Shares for which your application has been received and not rejected, acceptance of your application shall be constituted by written notification by or on behalf of us and the Vendors and not otherwise, notwithstanding any remittance being presented for payment by or on behalf of us and the Vendors;
- (e) you will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of your application; and
- (f) in making your application, reliance is placed solely on the information contained in this Prospectus and neither we, the Vendors, the Manager, the Underwriter, the Placement Agent nor any other person involved in the Invitation shall have any liability for any information not so contained.

Applications for Offer Shares

1. Your application for Offer Shares **MUST** be made using the **WHITE** Offer Shares Application Form and **WHITE** official envelopes "A" and "B". **ONLY ONE APPLICATION** should be enclosed in each envelope.
2. You must:
 - (a) enclose the **WHITE** Offer Shares Application Form, duly completed and signed, together with the correct remittance in accordance with the terms and conditions of this Prospectus in the **WHITE** envelope "A" provided;
 - (b) in the appropriate spaces on **WHITE** envelope "A":-
 - (i) write your name and address;
 - (ii) state the number of Offer Shares applied for; and
 - (iii) affix adequate Singapore postage;
 - (c) SEAL **WHITE** envelope "A";
 - (d) write, in the special box provided on the larger **WHITE** envelope "B" addressed to **OCBC BANK, 63 CHULIA STREET, OCBC CENTRE EAST #03-03, SINGAPORE 049514**, the number of Offer Shares for which the application is made; and
 - (e) insert **WHITE** envelope "A" into **WHITE** envelope "B", seal **WHITE** envelope "B", affix adequate Singapore postage on **WHITE** envelope "B" (if despatching by ordinary post) and thereafter **DESPATCH BY ORDINARY POST OR DELIVER BY HAND at your own risk to OCBC BANK AT OCBC BANK, 63, CHULIA STREET, OCBC CENTRE EAST #03-03, SINGAPORE 049514 so as to arrive by 12.00 noon on 11 August 2005 or such other time and date as we and the Vendors may, in consultation with the Manager, decide. Local Urgent Mail or Registered Post must NOT be used.**
3. No acknowledgement of receipt will be issued for any application or remittance received.
4. Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances are liable to be rejected.

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Applications for Placement Shares (excluding the Reserved Shares)

1. Your application for Placement Shares **MUST** be made using the **BLUE** Placement Shares Application Form. **ONLY ONE APPLICATION** should be enclosed in each envelope.
2. The completed **BLUE** Placement Shares Application Form and your remittance in accordance with the terms and conditions of this Prospectus for the full amount payable in respect of the number of Placement Shares applied for, with your name and address written clearly on the reverse side, must be enclosed and sealed in an envelope to be provided by you. You must affix adequate Singapore postage (if despatching by ordinary post) and thereafter, the sealed envelope must be **DESPATCHED BY ORDINARY POST OR DELIVERED BY HAND at your own risk to OCBC BANK, 63 CHULIA STREET, OCBC CENTRE EAST #03-03, SINGAPORE 049514, so as to arrive by 12.00 noon on 11 August 2005 or such other time and date as we and the Vendors may, in consultation with the Manager, decide. Local Urgent Mail or Registered Post must NOT be used.**
3. No acknowledgement of receipt will be issued for any application or remittance received.
4. Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances or improper form of remittance are liable to be rejected.

Applications for Reserved Shares

1. Your application for Reserved Shares **MUST** be made using the **PINK** Reserved Shares Application Form. **ONLY ONE APPLICATION** should be enclosed in each envelope.
2. The completed **PINK** Reserved Shares Application Form and your remittance with your name and address written clearly on the reverse side, in accordance with the terms and conditions of this Prospectus for the full amount payable in respect of the number of Reserved Shares applied for, must be enclosed and sealed in an envelope to be provided by you. The sealed envelope must be **DESPATCHED BY ORDINARY POST OR DELIVERED BY HAND at your own risk to UNION STEEL HOLDINGS LIMITED AT 33 PIONEER ROAD NORTH, SINGAPORE 628474, so as to arrive by 12.00 noon on 11 August 2005 or such other time and date as we and the Vendors may, in consultation with the Manager, decide. Local Urgent Mail or Registered Post must NOT be used.**
3. No acknowledgement of receipt will be issued for any application or remittance received.
4. Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances or improper form of remittance are liable to be rejected.

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ADDITIONAL TERMS AND CONDITIONS FOR ELECTRONIC APPLICATIONS

The procedures for Electronic Applications at ATMs of the Participating Banks are set out on the ATM screens of the relevant Participating Banks (the “Steps”). For illustration purposes, the procedures for Electronic Applications at ATMs of OCBC Bank are set out in the “Steps for Electronic Applications” appearing on pages VIII-14 and VIII-15 of this Prospectus. Please read carefully the terms of this Prospectus, the Steps and the terms and conditions for Electronic Applications set out below before making an Electronic Application. Any reference to “you” or the “applicant” in the Additional Terms and Conditions for Electronic Applications and the Steps shall refer to you making an application for Offer Shares through an ATM of a Participating Bank.

You must have an existing bank account with and be an ATM cardholder of one of the Participating Banks before you can make an Electronic Application at the ATMs of that Participating Bank. An ATM card issued by one Participating Bank cannot be used to apply for Offer Shares at an ATM belonging to another Participating Bank. The Steps set out the actions that you must take at ATMs of OCBC Bank to complete an Electronic Application. The actions that you must take at ATMs of other Participating Banks are set out on the ATM screens of the relevant Participating Banks. Upon the completion of your Electronic Application transaction, you will receive an ATM transaction slip (“Transaction Record”), confirming the details of your Electronic Application. The Transaction Record is for retention by you and should not be submitted with any printed Application Form.

You must ensure that you enter your own Securities Account number when using the ATM card issued to you in your own name. If you fail to use an ATM card issued in your own name or do not key in your own Securities Account number, your application will be rejected. If you operate a joint bank account with any of the Participating Banks, you must ensure that you enter your own Securities Account number when using the ATM card issued to you in your own name. Using your own Securities Account number with an ATM card which is not issued to you in your own name will render your Electronic Application liable to be rejected.

Your Electronic Application shall be made on the terms and subject to the conditions of this Prospectus including but not limited to the terms and conditions appearing below and those set out under this section on “TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE” on pages VIII-1 to VIII-15 of this Prospectus as well as our Memorandum and Articles of Association.

1. In connection with your Electronic Application for Offer Shares, you are required to confirm statements to the following effect in the course of activating your Electronic Application:-
 - (a) **that you have received a copy of this Prospectus and have read, understood and agreed to all the terms and conditions of application for Offer Shares in this Prospectus prior to effecting the Electronic Application and agree to be bound by the same;**
 - (b) **that you consent to the disclosure of your name, NRIC/passport number, address, nationality, permanent resident status, CDP Securities Account number, CPF Investment Account number (if applicable) and share application amount (the “Relevant Particulars”) from your account with that Participating Bank to the Share Registrar, CDP, CPF, SCCS, SGX-ST, our Company, the Vendors and the Manager (the “Relevant Parties”); and**
 - (c) **that the Electronic Application made is your only application for Offer Shares and it is made in your own name and at your own risk.**

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Your application will not be successfully completed and cannot be recorded as a completed transaction unless you press the “Enter” or “OK” or “Confirm” or “Yes” key or any other relevant key in the ATM. By doing so, you shall be treated as signifying your confirmation of each of the 3 statements. In respect of statement 1(b) above, your confirmation, by pressing the “Enter” or “OK” or “Confirm” or “Yes” or any other relevant key, shall signify and shall be treated as your written permission, given in accordance with the relevant laws of Singapore including Section 47(2) of the Banking Act, Chapter 19 of Singapore to the disclosure by that Participating Bank of the Relevant Particulars to the Relevant Parties.

2. **By making an Electronic Application, you confirm that you are not applying for Offer Shares as nominee of any other person and that any Electronic Application that you make is the only application made by you as beneficial owner. You shall make only one Electronic Application for the Offer Shares and shall not make any other application for the Offer Shares, whether at the ATMs of any Participating Bank or on the Application Forms. Where you have made an application for Offer Shares or Placement Shares (other than Reserved Shares) on an Application Form, you shall not make an Electronic Application for Offer Shares and *vice versa*.**
3. You must have sufficient funds in your bank account with your Participating Bank at the time you make your Electronic Application, failing which your Electronic Application will not be completed. **Any Electronic Application made at the ATMs of the relevant Participating Banks which does not conform strictly to the instructions set out in this Prospectus or on the screens of the ATMs of the relevant Participating Banks through which the Electronic Application is being made shall be rejected.**
4. You irrevocably agree and undertake to subscribe for and/or purchase and to accept the number of Offer Shares applied for as stated on the Transaction Record or any lesser number of Offer Shares that may be allotted and/or allocated to you in respect of your Electronic Application. In the event that we decide to allot and/or allocate any lesser number of such Offer Shares or not to allot and/or allocate any Offer Shares to you, you agree to accept such decision as final. If your Electronic Application is successful, your confirmation (by your action of pressing the “Enter” or “OK” or “Confirm” or “Yes” key or any other relevant key on the ATM) of the number of Offer Shares applied for shall signify and shall be treated as your acceptance of the number of Offer Shares that may be allotted and/or allocated to you and your agreement to be bound by our Memorandum and Articles of Association.
5. **We will not keep any applications in reserve.** Where your Electronic Application is unsuccessful, the full amount of the application monies will be refunded in Singapore dollars (without interest or any share of revenue or other benefit arising therefrom) to you by being automatically credited to your account with your Participating Bank within 24 hours of balloting. **Trading on a “WHEN ISSUED” basis, if applicable, is expected to commence after such refund has been made.**

Where your Electronic Application is rejected or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded in Singapore dollars (without interest or any share of revenue or other benefit arising therefrom) to you by being automatically credited to your account with your Participating Bank within 14 days after the close of the Application List.

Responsibility for timely refund of application monies from unsuccessful or partially unsuccessful Electronic Applications lies solely with the respective Participating Banks. Therefore, you are strongly advised to consult your Participating Bank as to the status of your Electronic Application and/or the refund of any monies to you from an unsuccessful or partially successful Electronic Application, to determine the exact number of Offer Shares allotted and/or allocated to you, if any, before trading the Offer Shares on the SGX-ST. Neither the SGX-ST, the CDP, the SCCS, the Participating Banks, we, the Vendors nor the Manager assume any responsibility for any loss that may be incurred as a result of your having to cover any net sell positions or from buy-in procedures activated by the SGX-ST.

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6. If your Electronic Application is made through an ATM of one of the Participating Banks and is unsuccessful, no notification will be sent by the Participating Banks.

If your Electronic Application is made through an ATM of one of the following Participating Banks, you may check the provisional results of your Electronic Application as follows:-

Bank	Telephone	Available at ATM/Internet	Operating Hours	Service expected from
OCBC Bank	1 800 363 3333	ATM	Phone Banking/ ATM - 24 hours a day	Evening of the balloting day
DBS	1 800 339 6666 (POSB account holders) 1 800 111 1111 (DBS account holders)	Internet Banking www.dbs.com	24 hours a day	Evening of the balloting day
UOB Group	1 800 222 2121	ATM ("Other Transactions – IPO Enquiry") www.uobgroup.com*	Phone Banking/ ATM - 24 hours a day Internet Banking - 24 hours a day	Evening of the balloting day

Note:

* If you have made your Electronic Application through the ATMs of the UOB Group, you may check the results of your application through UOB Personal UniBanking, UOB Group's ATMs or UOB PhoneBanking services.

7. Electronic Applications shall close at 12.00 noon on 11 August 2005 or such other time and date as we and the Vendors may, in consultation with the Manager, decide.
8. You are deemed to have requested and authorised us to:-
- register the Offer Shares allotted and/or allocated to you in the name of CDP for deposit into your Securities Account;
 - send the relevant Share certificate(s) to CDP;
 - return or refund (without interest or any share of revenue or other benefit arising therefrom) the application monies in Singapore currency, should your Electronic Application be rejected, by automatically crediting your bank account with your Participating Bank with the relevant amount within 24 hours of balloting; and
 - return or refund (without interest or any share of revenue or other benefit arising therefrom) the balance of the application monies in Singapore dollar, should your Electronic Application be accepted in part only, by automatically crediting your bank account with your Participating Bank with the relevant amount within 14 days after the close of the Application List.
9. You irrevocably agree and acknowledge that your Electronic Application is subject to risks of electrical, electronic, technical and computer-related faults and breakdowns, fires, acts of God and other events beyond the control of the Participating Banks, our Company, the Vendors and the Manager and if, in any such event, we, the Vendors, the Manager and/or the relevant Participating Bank do not record or receive your Electronic Application, or data relating to your Electronic Application or the tape containing such data is lost, corrupted, destroyed or not otherwise accessible, whether wholly or partially for whatever reason, you shall be deemed not to have made an Electronic Application and you shall have no claim whatsoever against us, the Vendors, the Manager and/or the relevant Participating Bank for the Offer Shares applied for or for any compensation, loss or damage.

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10. We do not recognise the existence of a trust. Any Electronic Application by a trustee must be made in his own name(s) and without qualification. Our Company and the Vendors will reject any Electronic Application by any person acting as nominee except those made by approved nominee companies only.
11. All particulars in the records of your Participating Bank at the time you make your Electronic Application shall be deemed to be true and correct and your Participating Bank and the Relevant Parties shall be entitled to rely on the accuracy thereof. If there has been any change in your particulars after making your Electronic Application, you shall promptly notify your Participating Bank.
12. **You should ensure that your personal particulars as recorded by both CDP and the relevant Participating Bank are correct and identical, otherwise, your Electronic Application is liable to be rejected.** You should promptly inform CDP of any change in address, failing which the notification letter on successful allotment and/or allocation and other correspondence from the CDP will be sent to your address last registered with CDP.
13. In consideration of our Company and the Vendors making available the Electronic Application facility through the ATMs of the Participating Banks and agreeing to close the Application List at 12.00 noon on 11 August 2005 or such other time or date as we and the Vendors may, in consultation with the Manager, decide, and by making and completing an Electronic Application, you agree that:-
 - (a) your Electronic Application is irrevocable;
 - (b) your Electronic Application, the acceptance by our Company and the Vendors, and the contract resulting therefrom under the Invitation shall be governed by and construed in accordance with the laws of Singapore and you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;
 - (c) neither we, the Vendors, the Manager, the Participating Banks nor CDP shall be liable for any delays, failures or inaccuracies in the recording, storage or in the transmission or delivery of data relating to your Electronic Application to us or CDP due to a breakdown or failure of transmission, delivery or communication facilities or any risks referred to in paragraph 9 above or to any cause beyond their respective controls;
 - (d) in respect of Offer Shares for which your Electronic Application has been successfully completed and not rejected, acceptance of your Electronic Application shall be constituted by written notification by or on behalf of our Company and the Vendors and not otherwise, notwithstanding any payment received by or on behalf of our Company and the Vendors;
 - (e) you will not be entitled to exercise any remedy of rescission or misrepresentation at any time after acceptance of your application; and
 - (f) in making your application, reliance is placed solely on the information contained in this Prospectus and that neither our Company, the Vendors, the Manager, the Underwriter, the Placement Agents nor any other person involved in the Invitation shall have any liability for any information not so contained.

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Steps for Electronic Applications

Instructions for Electronic Applications will appear on the ATM screens of the Participating Banks. For illustration purposes, the steps for making an Electronic Application through an ATM of OCBC Bank are shown below. Certain words appearing on the screen are in abbreviated form (“a/c”, “appln”, “ESA”, “no.” and “&” refer to “account”, “application”, “electronic share application”, “number” and “and” respectively). Instructions for Electronic Applications appearing on the ATM screens of the other Participating Banks may differ from those represented below.

- Step 1 : Insert your personal OCBC ATM card
- 2 : Enter your Personal Identification Number
- 3 : Select “Other Services”
- 4 : Select “Electronic Share Appln”
- 5 : Select “UNION”
- 6 : For an applicant making an Electronic Application at the ATM for the first time
- (a) For non-Singaporean
- Press the “Yes” key if you are a permanent resident of Singapore, otherwise, press the “No” key.
- (b) Enter your own Securities Account number (12 digits) eg. 168101234567 and press “Yes” key to confirm that the Securities Account number you have entered is correct.
- 7 : Check your particulars appearing on the screen and press the “Correct” key to confirm that your particulars are correct.
- 8 : Press the “Confirm” key to confirm that you have read the following messages:-
- **You have read, understood and agreed to all terms of appln & Prospectus/Document**
 - **You consent to disclose your NRIC/Passport No., address, nationality, securities a/c no., no. of shares applied for and CPF investment a/c no. to share registrar, CDP, CPF, SCCS and Issuer**
 - **This appln is made in your own name & at your own risk**
- 9 : Press the “Confirm” key again to confirm that you have read the following messages:-
- **Where applicable, a copy of the Prospectus/Document has been lodged with and registered by the Monetary Authority of Singapore in Singapore who takes no responsibility for its contents**
 - **The Prospectus/Document are available at various Participating Banks**

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- 10 : Press the “Confirm” key again to confirm that you have read the following messages:-
- **The Offer of securities will be made in, or accompanied by, a copy of the Prospectus**
 - **Anyone wishing to acquire these securities will need to make an application in the manner set out in the Prospectus**
- 11 : Select the number of Shares you wish to apply for
- **For fixed price ESA, this is the only application submitted**
 - **Fixed Price: S\$0.20**
- 12 : Select the type of bank account to debit your application monies
- 13 : Check the details of your application appearing on the screen and press the “Confirm” key to confirm your application
- 14 : For customers with multiple bank accounts, select the bank account from which to debit your application monies





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