A NEW DYNAMIC

UNION STEEL HOLDINGS LIMITED

annual report 2007

Corporate Profile

Founded in 1984, Union Steel Holdings Limited ("Union Steel") is at the forefront of metal recycling activities in Singapore. The Group provides a one-stop supply centre for the recycling of ferrous and non-ferrous scrap metals, the trading of steel products and the provision of other services such as waste collection and management, demolition works, rental of steel plates and car scrapping.

In FY2007, Union Steel recycled about 130,000 tonnes of scrap metals at its recycling plants, making it one of the largest metal recyclers in Singapore in terms of volume of metals recycled.

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

The Group serves a wide customer base of over 500 customers in countries such as the PRC, India, Indonesia, Japan, Malaysia and Singapore.

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

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

Contents

2007 was a dynamic year for us...

Buoyed by ***sustained growth*** in Asian economies, we registered robust performance in our business segments and reinforced our foothold as one of the largest metal recyclers in Singapore.

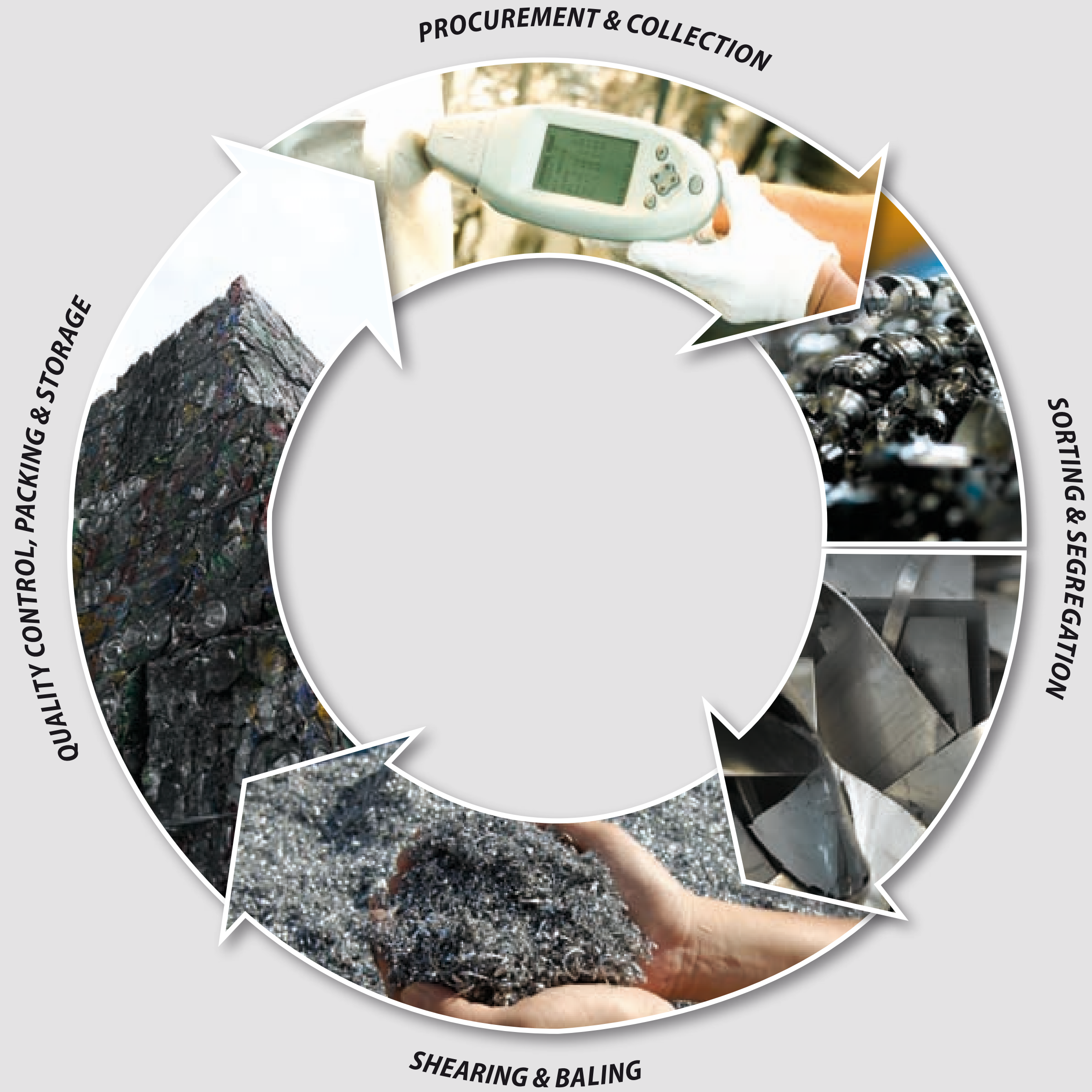
More importantly, we strengthened our foundation through ***synergistic partnerships*** which provided the impetus for regional expansion. This is in line with our strategic plan to grow the business.

Union Steel is poised to continue seizing ***growth opportunities*** and deliver sustainable shareholder returns. By constantly seeking new partnerships and opportunities, we fuel our growth in the new dynamic.

Our Process

METAL RECYCLING PROCESS

Our recycling operations primarily involve the collection, processing and packaging of ferrous and non ferrous scrap metals. We then supply the recycled metals to our clientele which includes steel mills, foundries and metal brokers.



Our Products

REUSABLE METALS

Recycling is the transformation of products at the end of their useful lives into highly valuable secondary raw materials. By channeling these back into the manufacturing process, recycling conserves raw materials, saves energy and protects the environment.

FERROUS METALS

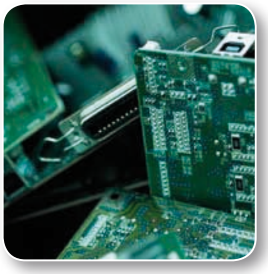
Steel, Heavy Melting Scrap, Silicon Steel




NON-FERROUS METALS

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



STEEL TRADING

Steel Plates, Reinforcement Steel Bars, H-beams, I-beams, Pipes, Sheet Piles




Our Facilities

Location	Approximate Land Area (sqm)	Principal Activities
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 & 33 Pioneer Road North Singapore 628474	7,739	Office premises, factory and warehouse for processing and storage of non-ferrous scrap metal.
12 Gul Road Singapore 629343	32,986	Warehouse for storage of steel products.

Continued ***property and construction growth*** across Asia, particularly in China and India, has fuelled strong demand for recycled non-ferrous metals and other steel products.

Despite our bullish performance, we are not resting on our laurels.

To surpass past performance, we strive to value-add and explore opportunities, that are ***synergistic*** to our core business.

The future of metal recycling remains dynamic and demand driven...

Mr Ang Yu Seng
Chairman & CEO

Chairman's Message

DEAR SHAREHOLDERS

Riding on the back of the thriving property and construction sectors in Asia over the past year, Union Steel Holdings Limited (the "Group") has achieved strong revenue growth across all our business segments. Despite operating in a highly competitive environment, where demand for scrap metals worldwide had driven up costs, we have continued to remain profitable.

On behalf of the Board of Directors, I am pleased to share that the Group has turned in a set of creditable results for the financial year ended 30 June 2007 ("FY2007").

FINANCIAL REVIEW

Group revenue increased by 148% to S$337.9 million in FY2007 compared to S$136 million in FY2006, with recycling of non-ferrous metals and sales of steel products being the main contributors to the increase. Higher demand for metal worldwide coupled with stiffer competition for scrap metals had driven international scrap metal prices up, thereby increasing our cost of sales. This eroded our gross profit margin, which dropped to 6% compared to 13% in the previous financial year.

Looking at our costs, distribution costs fell by 22% to S$4.3 million, brought about by the decrease in the export of recycled ferrous scrap metals and lower freight and handling charges incurred from making bulk purchases. Administrative costs registered an increase, primarily attributed to the depreciation of property, plant and equipment, utilities expenses, bank charges, insurance and staff cost. The Group also incurred other operating expenses of S$1.2 million, which arose from the allowance for impairment loss in value of inventories of S$0.8 million and the allowance for doubtful trade debts of S$0.4 million. With higher utilisation of banking facilities, finance costs incurred increased by 131% to S$2.8 million.

"Our robust performance was fuelled by the continued growth in demand for recycled non-ferrous metals, which was led by the steady growth in Asian economies."

As a result, net profit rose 27% to S$8.05 million for FY2007. The Group's earning per share also increased from 1.86 cents to 2.32 cents. Our robust performance was fuelled by the continued growth in demand for recycled non-ferrous metals, which was led by the steady growth in Asian economies.

DIVIDENDS

We have improved our profitability and we aim to share the fruits of our success with our shareholders. As a sign of our appreciation, the Board is proposing an interim dividend of S$0.01 per ordinary share for FY2008. This represents a payout of 43% of the Group's net earnings for the year under review.

BUSINESS REVIEW

On a segmental basis, Recycling remained the largest contributor to group revenue, accounting for 84% of total group revenue. This segment also registered strong growth of 152%, with revenue generated increasing from S$113.1 million in FY2006 to S$284.8 million in FY2007. Profit for Recycling similarly recorded an increase of 59% to S$9.4 million in FY2007 compared to S$5.9 million in the previous year.

Revenue generated by the Trading segment and the Others segment, which included waste collection and management, demolition works, rental of steel plates and car scrapping services, also grew by 144% and 15% respectively.

Our customers are spread over different geographical locations. By maintaining a wide customer base of over 500 customers from countries such as China, India, Indonesia, Japan, Malaysia and Singapore, we buffer our business from any downturn in any particular country.

OUTLOOK AND MOVING FORWARD

As growth in Asian economies is expected to be sustained, increased construction and infrastructural activities in the region, especially in China and India, will continue to drive demand for recycled metals. Growing pressures on depleting natural resources have also increased businesses' awareness of the importance of recycling. These trends signify healthy prospects for our industry in general and our Group will continue to explore opportunities and uncover synergies in related industries.

The global steel industry is also moving towards market consolidation, offering opportunities for us to reinforce our overseas presence. Looking ahead, we seek to further strengthen our market position in Asia, for instance through establishing new partnerships or entering merger and acquisition deals that have synergy with our core business.

In July 2007, we announced we had entered into a sale and purchase agreement to acquire 65% of the issued and paid up share capital of Lim Asia Steel Pte Ltd, an established player in the trading and recycling of various scrap metals. The acquisition will help

"On a segmental basis, Recycling remained the largest contributor to group revenue, accounting for 84% of total group revenue."

strengthen our Group's core metal recycling business and our market position in Asia by boosting our scrap metal sourcing capabilities; expand our customer base and enhance cooperation among local players to expand regionally.

Furthermore, in a move to boost our cash reserves for pursuing strategic investment opportunities in the region and unlock value for shareholders, we announced in August 2007 that our Group had entered into conditional put and call option agreements with HSBC Institutional Trust Services (Singapore) Limited as trustee of Mapletree Logistics Trust in respect of the proposed sale and leaseback of four of our industrial-cum-warehousing facilities in Jurong for S$36.8 million. The proposed sale will enable our Group to realise a gain of about S$23.3 million, while the leaseback arrangement will allow us to continue using the premises. In accordance with the Singapore Financial Reporting Standards, of the realisable gain, S$14.2 million is the excess of the sale consideration over the fair value and shal be deffered and amortised over the leaseback period of six years, whereas the S$9.1 million in excess of the fair value over the net book value will be recognised immediately. As such, it will increase our earnings per share from 2.32 cents to 4.95 cents, assuming the proposed sale and leaseback had taken place at the beginning of FY2007. This proposed sale and leaseback is currently pending regulatory and shareholders' approval.

CONCLUSION AND NOTE OF APPRECIATION

In conclusion, with favourable conditions continuing into the next financial year, the Board of Directors remains optimistic. Barring unforeseen circumstances, we expect our Group to remain profitable. Our management, who are experienced and hands on in running the operations, will remain vigilant in monitoring the metals market and respond speedily to changing business conditions.

Lastly, I would like to convey my appreciation to fellow Board members, management and staff for their counsel, commitment and contributions over the past year. To our shareholders, business associates and suppliers, thank you for the trust and support over the years. Working together, we can generate better value for our Group and moving into FY2008, let us look forward to a better year.

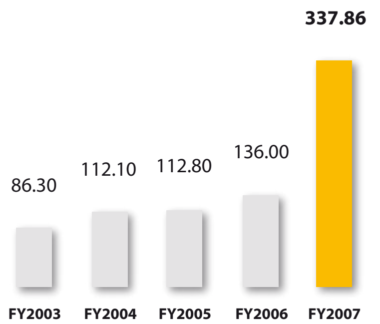
Mr Ang Yu Seng
Chairman and Chief Executive Officer

Financial Highlights

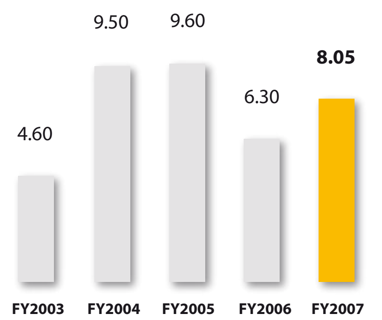
Our customers are spread over different geographical locations. By maintaining a wide customer base of over 500 customers from countries such as China, India, Indonesia, Japan, Malaysia and Singapore, we buffer our business from any downturn in any particular country.

	FY2003	FY2004	FY2005	FY2006	FY2007
Group Turnover (S$'million)	86.30	112.10	112.80	136.00	**337.86**
Group PAT (S$'million)	4.60	9.50	9.60	6.30	**8.05**
Group Gross Margin (%)	15.90	17.60	18.30	13.20	**6.24**
Group EPS (cents)	1.69	3.49	3.53	1.86	**2.32**
Group NTA (cents)	NA	8.75	9.52	11.92	**13.60**

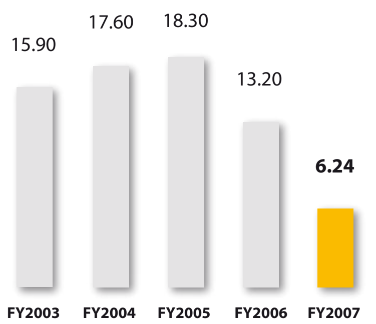
Group Turnover (S$'million)



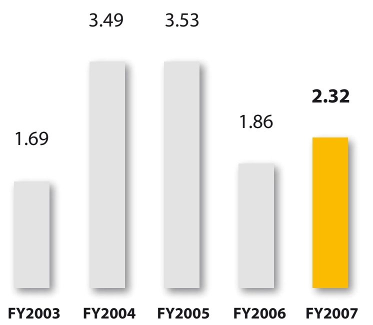
Group PAT (S$'million)



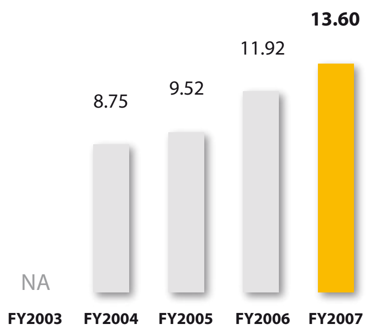
Group Gross Margin (%)



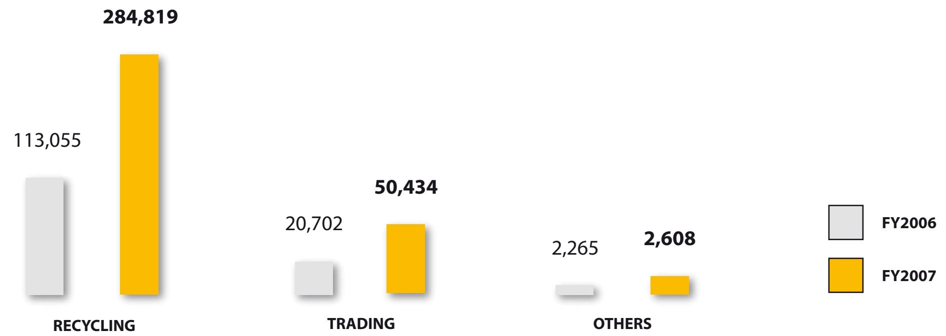
Group EPS (cents)



Group NTA (cents)

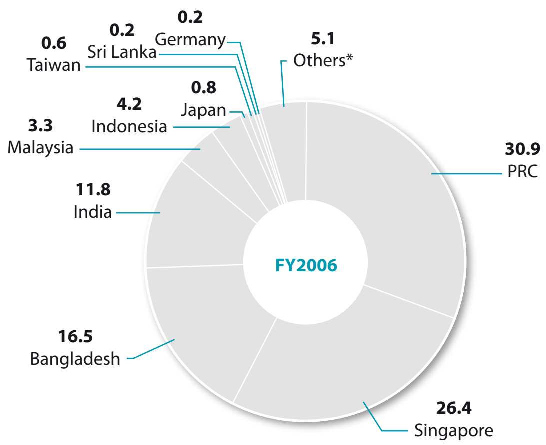


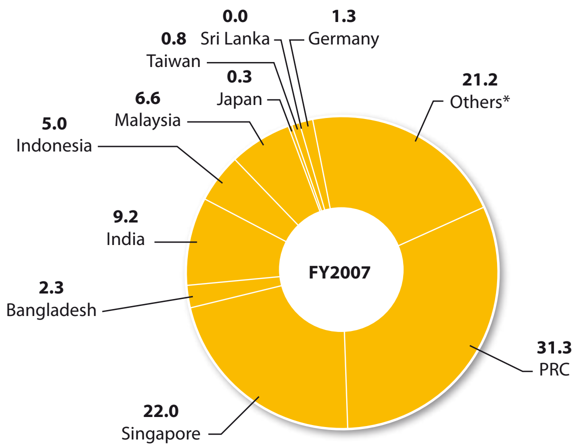
Group Segment Revenue (S$'000)



Revenue by Markets

Sales by Geographical Region (%)





Revenue	FY2006 %	FY2007 %
PRC	30.9	31.3
Singapore	26.4	22.0
Bangladesh	16.5	2.3
India	11.8	9.2
Indonesia	4.2	5.0
Malaysia	3.3	6.6
Japan	0.8	0.3
Taiwan	0.6	0.8
Sri Lanka	0.2	0
Germany	0.2	1.3
Others*	5.1	21.2

* Belgium, Brazil, Brunei, Canada, Eqypt, Greece, Hong Kong, Holland, Isreal, Italy, Korea, Kenya, Maldives, Myanmar, Netherland, Nepal, New Zealand, Philippines, Pakistan, Switzerland, Sweden, Turkey, Thailand, UEA, United Kingdom, USA, and Vietnam.

Board of Directors

FROM L-R: Mr Siau Kai Bing, Mr Ang Yew Chye, Mr Chang Yeh Hong, Mr Ang Yu Seng, Mr Chan Kok Poh and Mr Ang Yew Lai

Mr Ang Yu Seng

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

Mr Ang Yew Chye

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

Mr Ang Yew Lai

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

Mr Chan Kok Poh

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

Mr Chang Yeh Hong

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

Mr Siau Kai Bing

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

Key Management

Mr Tan Leong Chye, Jack

Chief Operating Officer

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

Ms Wang Fang

Project Manager

Ms Wang is responsible for the Group's demolition businesses. She is in charge tendering, planning, preparing the cost estimates and administering the contracts and demolition work. She has over 15 years' relevant experience in construction field. She obtained a degree in Construction Management Engineering from the Chongqing Civil Engineering Institute, PRC in 1992.

Ms Catherine Lim Soo Mooi

Chief Financial Officer

Ms Lim was appointed the Chief Financial Officer on 2 July 2007. She is responsible for the corporate finance, accounting and treasury functions of our Group. She has 15 years of experience in auditing, accounting, group consolidation accounts, corporate taxation and corporate finance. She is a fellow member of the Association of Chartered Certified Accountants (UK) and is also a non-practising member of the Institute of Certified Public Accountants of Singapore.

Ms Zhang Yu

Sales Manager

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

Ms Soh Lay Beng, Serene

Sales and Marketing Manager

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

Ms Qiu Hong

Sales and Marketing Manager

Ms Qiu is responsible for the trading of non-ferrous scrap metals such as aluminium, copper, brass and as well as stainless steel scrap. She joined us in 1997. From 1993 to 1995, she 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.

Corporate Information

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

Chang Yeh Hong	Chairman
Siau Kai Bing	
Chan Kok Poh	

NOMINATING COMMITTEE

Siau Kai Bing	Chairman
Ang Yu Seng	
Chang Yeh Hong	

REMUNERATION COMMITTEE

Chang Yeh Hong	Chairman
Chan Kok Poh	
Siau Kai Bing	

COMPANY SECRETARY

Helen Thomas

REGISTERED OFFICE

33 Pioneer Road North
Singapore 628474

SHARE REGISTRAR

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

AUDITORS

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

AUDIT PARTNER-IN-CHARGE

Wong Pooi Khim
Date of Appointment:
12 August 2004

PRINCIPAL BANKERS

Oversea-Chinese Banking Corporation Limited
United Overseas Bank
DBS Bank Ltd
Standard Chartered Bank
Malayan Banking Berhad
BNP Paribas
Citibank N.A.
Bangkok Bank Public Company Limited

Corporate Governance

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

This report will help shareholders better understand the Company's practices which were in place throughout the financial year and guided by the Code of Corporate Governance (the "Code").

BOARD MATTERS

Principle 1: The Board's Conduct of its Affairs

The Board's primary role is to protect and enhance long-term shareholder value. It sets the overall strategy for the Group and oversees the overall Management of the Group. To fulfill this role, the Board is responsible for the overall corporate governance of the Group including setting its strategic direction, establishing goals for Management and monitoring the achievement of these goals.

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

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

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

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

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

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

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

Corporate Governance

The full Board meets on a regular basis and as and when necessary to address any specific significant matters that may arise. The attendance of the Directors at meetings of the Board and Board committees as well as the frequency of such meetings from 1 July 2006 to 30 June 2007 are disclosed as such:

Name	**Board**		**Audit Committee**		**Nominating Committee**		**Remuneration Committee**	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Ang Yu Seng	7	7	NA	NA	1	1	1	1
Ang Yew Lai	7	5	NA	NA	NA	NA	NA	NA
Ang Yew Chye	7	3	NA	NA	NA	NA	NA	NA
Chan Kok Poh	7	7	2	2	NA	NA	NA	NA
Chang Yeh Hong	7	7	2	2	1	1	1	1
Siau Kai Bing	7	6	2	2	1	1	1	1

Note:

There were 2 Due Diligence meetings and 3 Verification meetings held for the period from 1 July 2006 to 30 June 2007 to discuss the Proposed Acquisition of JP Nelson Group of Companies. All these 5 meetings have been included in the no. of the board meetings held.

Principle 2: Board Composition and Balance

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

The Board is of the opinion that its current size of six board members is appropriate, taking into account the nature and scope of the Company's operations. Together, the Board members possess a balanced field of core competencies to lead the Company. Details of the Board members' and key management staff qualifications and experience are presented in this Annual Report on page 12 to 15 under the heading "Board of Directors" and "Key Management".

Principle 3 : Roles of Chairman and Chief Executive Officer

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

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

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

Corporate Governance

Principle 4 : Board Membership

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

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

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

- to make recommendations to the Board on all board appointments and re-nomination having regard to the director's contribution and performance;

- to ensure that all directors would be required to submit themselves for re-nomination and re-election at regular intervals and at least once in every three years;

- to determine annually whether a director is independent, guided by the independent guidelines contained in the Code; and

- to decide whether a director is able to and has adequately carried out his duties as a director of the Company in particular where the director concerned has multiple board representations.

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

The Directors standing for re-election at the forthcoming AGM pursuant to Article 91 are Mr. Chan Kok Poh and Mr. Siau Kai Bing.

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

Principle 5 : Board Performance

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

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

Principle 6 : Access to Information

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

The Company Secretary attends all board meetings. The Company Secretary administers, attends and prepares minutes of Board meetings, and assists the Executive Chairman in ensuring that Board procedures are followed and reviewed so that the Board functions effectively and the Company's Memorandum and Articles of Association and the relevant rules and regulations applicable to the Company are complied with.

The Board in fulfilling its responsibilities, can as a group or individually, when deemed fit, direct the Company to appoint professional advisers to render professional advice.

REMUNERATION MATTERS

Principle 7 : Procedures for Developing Remuneration Policies

The Remuneration Committee ("RC") comprises entirely of non-executive directors of the Company. The Remuneration Committee is chaired by an independent non-executive director, with access to expert advice inside and/or outside the Company. As at the date of this Report, the RC members are:

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

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

The duties of the RC are as follows:

- To review and recommend to the Board in consultation with senior management a framework of remuneration for Executive Directors, Chief Executive Officer ("CEO") and senior management staff;

- To review the remuneration packages of all managerial staff that are related to any of the Executive Directors or CEO; and

- To recommend to the Board in consultation with senior management and the Chairman of the Board, the Executive's and Employees' Share Option Schemes or any long-term incentive scheme when applicable.

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

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

Principle 8 : Level and Mix of Remuneration

The remuneration of the Executive Directors is based on service agreements. The independent directors are paid a director's fee for their efforts and time spent, responsibilities and contribution to the Board, subject to approval by shareholders at the Annual General Meeting.

Corporate Governance

Principle 9 : Disclosure on Remuneration

A breakdown showing the level and mix of remuneration paid/payable for the financial year ended 30 June 2007 to each individual director of the Company is as follows:

Remuneration Band and Name of Director	Base/fixed salary (%)	Variable or performance related income/bonuses (%)	Director's fee (%)	Other Benefits (%)
Above S$750,000				
Ang Yu Seng	46	45	–	9
S$500,000 – S$749,999				
Ang Yew Lai	49	41	–	10
S$250,000 – S$499,999				
Ang Yew Chye	52	35	–	13
Below S$250,000				
Chan Kok Poh	–	–	100	–
Chang Yeh Hong	–	–	100	–
Siau Kai Bing	–	–	100	–

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

The Company does not have any employee who is an immediate family member of Director or a CEO whose remuneration in the financial year ended 30 June 2007 exceeded $150,000.

KEY EXECUTIVES

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

Range	Number of Executives
Below $250,000	6

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

Corporate Governance

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

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

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

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

Principle 11 : Audit Committee

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

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

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

The terms of reference of the AC are:

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

In discharging the above duties, the AC confirms that it has full access to and co-operation from Management and is given full discretion to invite any director or Executive Director to attend its meetings. In addition, the AC has also been given reasonable resources to enable it to perform its functions properly.

The AC has conducted an annual review of the volume of non-audit services to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the auditors before recommending their re-nomination to the Board.

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

Principle 12 : Internal Controls

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

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

Principle 13 : Internal Audit

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

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

COMMUNICATION WITH SHAREHOLDERS

Principle 14 : Communication with Shareholders

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

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

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

Principle 15 : Greater Shareholder Participation

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

Corporate Governance

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

RISK MANAGEMENT

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

DEALING IN SECURITIES

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

MATERIAL CONTRACTS

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

INTERESTED PERSON TRANSACTIONS
(Listing Manual Rules 907 and 1207(16))

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

The Company seeks annual renewal of general mandate from its shareholders for those recurrent transactions of revenue or trading nature or those necessary for its day-to-day operations.

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

BEST PRACTICES GUIDE

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

Report of the Directors

Year Ended 30 June 2007

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Union Steel Holdings Limited (the "company") and its subsidiaries (collectively the "Group") for the financial year ended 30 June 2007 and the balance sheet of the company as at 30 June 2007.

1. DIRECTORS

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

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

2. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

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

3. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

	Number of ordinary shares	
The company	**At beginning of year**	**At end of year**
Ang Yu Seng	151,863,150	114,373,674
Ang Yew Lai	64,526,312	47,171,050
Ang Yew Chye	40,449,788	23,094,526
Chan Kok Poh	200,000	200,000
Chang Yeh Hong	100,000	100,000
Siau Kai Bing	100,000	100,000

There was no change in the above-mentioned directors' interest between the end of the financial year and 21 July 2007.

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

Except as disclosed in this report, no director who held office at the end of the financial year had interest in shares, or debentures of the company, or of related corporations, either at the beginning of the financial year or at the end of the financial year.

4. DIRECTORS' CONTRACTUAL BENEFITS

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

5. SHARE OPTION SCHEME

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

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

Chang Yeh Hong – Chairman
Ang Yu Seng (Resigned on 6 September 2006)
Siau Kai Bing
Chan Kok Poh (Appointed on 6 September 2006)

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

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

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

6. AUDIT COMMITTEE

The Audit Committee of the company is chaired by Chang Yeh Hong, an independent director, and includes Siau Kai Bing, an independent director, and Chan Kok Poh, a non-executive director. The Audit Committee met two times since the last Annual General Meeting ("AGM") and reviewed the following, where relevant, with the executive directors and the auditors of the company: -

(a) to review with the external auditors the audit plan, and the results of the external auditors' examination and evaluation of the group's system of internal controls;

(b) to review the scope and results of the internal audit procedures;

(c) to review the consolidated financial statements and the external auditors' report on those financial statements, before submission to the Board of Directors for approval;

(d) to review the co-operation given by the management to the auditors;

(e) to consider the appointment and re-appointment of the external auditors;

(f) to review and approve interested person transactions; and

(g) to generally undertake such other functions and duties as may be required by law or the Listing Manual of the SGX-ST, and by such amendments made thereto from time to time.

6. AUDIT COMMITTEE (CONT'D)

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

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

7. AUDITORS

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

On behalf of the directors

Ang Yu Seng
Director

Ang Yew Lai
Director

Singapore, 27 August 2007

Statement by the Directors

Year Ended 30 June 2007

In the opinion of the directors,

(a) the accompanying financial statements are drawn up in accordance with Singapore Financial Reporting Standards and give a true and fair view of the state of affairs of the company and of the group as at 30 June 2007 and the results of the business, changes in equity and cash flows of the group for the financial year ended on that date; and

(b) at the date of this statement there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

On behalf of the directors

Ang Yu Seng
Director

Ang Yew Lai
Director

Singapore, 27 August 2007

Independent Auditors' Report

To the Member of Union Steel Holdings Limited
For the financial year ended 30 June 2007

We have audited the accompanying consolidated financial statements of Union Steel Holdings Limited (the "Company") and its subsidiary companies (collectively the "Group"), which comprise the balance sheets of the company and of the group as at 30 June 2007, the income statement, statement of changes in equity and cash flow statement of the group, and a summary of significant accounting policies and other explanatory notes, as set out on pages 30 to 63.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap.50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion,

(a) the consolidated financial statements of the group and the balance sheet of the company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the group and of the company as at 30 June 2007 and the results, changes in equity and cash flows of the group for the financial year ended on that date; and

(b) the accounting and other records required by the Act to be kept by the company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

LTC & Associates
Certified Public Accountants

Singapore, 27 August 2007

Balance Sheets

As at 30 June 2007

	Note	GROUP 2007 $'000	GROUP 2006 $'000	COMPANY 2007 $'000	COMPANY 2006 $'000
EQUITY AND LIABILITIES					
Capital, reserves and minority interest: -					
Share capital	4	29,601	29,601	29,601	29,601
Retained profits		17,558	11,766	4,751	2,947
Equity attributable to equity holders of the company		47,159	41,367	34,352	32,548
Minority interest		45	–	–	–
Total equity		47,204	41,367	34,352	32,548
Non-current liabilities: -					
Bank loans	5	7,639	5,114	–	–
Obligations under hire purchase contracts	6	138	26	134	–
Deferred taxation	7	943	602	–	–
Total non-current liabilities		8,720	5,742	134	–
Current liabilities: -					
Bills payable and bank loans	5	42,972	20,526	–	–
Obligations under hire purchase contracts	6	179	1,718	94	–
Trade payables	8	16,654	8,451	238	132
Other payables	9	1,753	799	384	108
Non-hedging currency derivative financial instruments	10	–	335	–	–
Income tax payable		1,790	1,638	207	37
Total current liabilities		63,348	33,467	923	277
Total equity and liabilities		119,272	80,576	35,409	32,825
ASSETS					
Non-current assets: -					
Property, plant and equipment	11	20,865	29,660	298	–
Investment in subsidiaries	12	–	–	16,506	16,506
Golf club membership	13	159	–	159	–
Total non-current assets		21,024	29,660	16,963	16,506
Current assets: -					
Inventories	14	42,601	27,138	–	–
Trade receivables	15	21,310	11,241	–	–
Other receivables and prepayments	16	691	440	12,896	11,136
Cash and bank balances	17	20,163	12,097	5,550	5,183
		84,765	50,916	18,446	16,319
Non-current assets classified as held for sale	18	13,483	–	–	–
Total current assets		98,248	50,916	18,446	16,319
Total assets		119,272	80,576	35,409	32,825

The accounting policies and explanatory notes form an integral part of the financial statements

Consolidated Income Statement

Year Ended 30 June 2007

	Note	GROUP 2007 $'000	GROUP 2006 $'000
Revenue	19	337,861	136,022
Cost of sales		(316,782)	(118,081)
Gross profit		21,079	17,941
Other operating income	20	5,222	3,774
		26,301	21,715
Distribution costs		(4,339)	(5,570)
Administrative expenses		(8,000)	(6,510)
Other operating expenses		(1,245)	(437)
Profit from operations		12,717	9,198
Finance cost	21	(2,767)	(1,196)
Profit before income tax	22	9,950	8,002
Income tax expense	23	(1,902)	(1,670)
Net profit for the financial year		8,048	6,332
Attributable to:			
Equity holders of the company		8,048	6,332
Minority interest		–	–
		8,048	6,332
Basis and diluted earning per share (cents)	24	2.32	1.86

The accounting policies and explanatory notes form an integral part of the financial statements

Consolidated Statement of Changes in Equity

Year Ended 30 June 2007

GROUP	Share capital $'000	Share premium $'000	Retained profits $'000	Attributable to equity holders of the company $'000	Minority interest $'000	Total equity $'000
Balance as at 1 July 2005	16,326	–	9,599	25,925	–	25,925
Issue of shares pursuant to the Initial Public Offering of the company	4,500	10,500	–	15,000	–	15,000
Share issue expenses	–	(1,725)	–	(1,725)	–	(1,725)
Transfer to share capital (a)	8,775	(8,775)	–	–	–	–
Dividend paid of $0.012 per ordinary shares	–	–	(4,165)	(4,165)	–	(4,165)
Net profit	–	–	6,332	6,332	–	6,332
Balance as at 30 June 2006	29,601	–	11,766	41,367	–	41,367
Capital contribution	–	–	–	–	45	45
Dividend paid of $0.0065 per ordinary shares	–	–	(2,256)	(2,256)	–	(2,256)
Net profit	–	–	8,048	8,048	–	8,048
Balance as at 30 June 2007	29,601	–	17,558	47,159	45	47,204

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

The accounting policies and explanatory notes form an integral part of the financial statements

Consolidated Cash Flow Statement

Year Ended 30 June 2007

	GROUP 2007 $'000	GROUP 2006 $'000
Cash flows from operating activities: -		
Profit before income tax	9,950	8,002
Adjustments for: -		
Depreciation of property, plant and equipment	3,244	2,576
Gain on disposal of plant and equipment	(101)	(304)
Interest expenses	2,767	1,196
Interest income	(209)	(141)
Changes in fair value of non-hedging currency derivative financial instruments	(335)	335
Allowance for doubtful trade debts	424	14
Allowance for impairment loss in value of inventories	819	–
Operating cash flows before movement in working capital	16,559	11,678
Inventories	(16,282)	(11,945)
Trade receivables	(10,494)	(537)
Other receivables and prepayments	(107)	397
Trade payables	8,203	2,802
Other payables	954	150
Cash (used in) / generated from operations	(1,167)	2,545
Income tax paid	(1,553)	(2,848)
Interest paid	(2,767)	(1,196)
Interest income received	209	141
Net cash used in operating activities	(5,278)	(1,358)
Cash flows from investing activities: -		
Purchase of property, plant and equipment	(7,488)	(2,146)
Purchase of golf club membership	(159)	–
Proceeds from disposal of plant and equipment	439	374
Net cash used in investing activities	(7,208)	(1,772)
Cash flows from financing activities: -		
Proceeds from issuance of ordinary shares pursuant to the Initial Public Offering, net	–	13,275
Funds from long-term and short-term bank loans	13,523	11,150
Increase in bills payable	18,148	4,306
Repayment of long-term and short-term bank loans	(6,699)	(11,570)
Repayment of hire purchase contracts	(2,209)	(1,695)
Dividends paid	(2,256)	(4,165)
Capital contribution from minority shareholders of subsidiary	45	–
Net cash from financing activities	20,552	11,301
Net increase in cash and cash equivalents	8,066	8,171
Cash and cash equivalents at beginning of the financial year	12,097	3,926
Cash and cash equivalents at end of the financial year	20,163	12,097
Cash and cash equivalents consist of: -		
Cash and bank balances	14,953	7,044
Fixed deposits, unpledged (Note 17)	5,210	5,053
	20,163	12,097

During the year, the group acquired property, plant and equipment with an aggregate cost of about $8,270,000 (2006: $4,404,000) of which $782,000 (2006: $2,258,000) were acquired by means of hire purchase contracts. Cash payment of about $7,488,000 (2006: $2,146,000) was made to purchase these property, plant and equipment.

The accounting policies and explanatory notes form an integral part of the financial statements

Notes to the Financial Statements

Year Ended 30 June 2007

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

1. GENERAL

The company was incorporated and domiciled in the Republic of Singapore. The registered office and principal place of business of the company is at 33 Pioneer Road North, Singapore 628474. The company is listed on the Mainboard of the Singapore Exchange Securities Trading Limited.

The principal activity of the company is that of investment holding. The principal activities of its subsidiaries in the group are stated in Note 12 to the financial statements.

The consolidated financial statements of the group and the balance sheet of the company for the financial year ended 30 June 2007 were authorised for issue in accordance with a resolution of the directors on 27 August 2007.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

(a) Basis of accounting

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 as required by the Singapore Companies Act.

The financial statements are expressed in Singapore Dollar and have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

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

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

On 1 January 2006, the group has adopted all of the new or revised FRSs and Interpretation to FRS ("INT FRS") that are mandatory for application from that date. Changes to the group's accounting policies have been made as required, in accordance with the relevant transitional provisions in the respective FRS and INT FRS

The adoption of these new or revised FRSs and INT FRSs did not result in any substantial changes to the group's accounting policies.

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

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

2.2 Group accounting

Subsidiaries

Subsidiaries are entities over which the group has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value on the date of acquisition, irrespective of the extent of any minority interest.

Subsidiaries are consolidated from the date on which control is transferred to the group. They are de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealized gains on transaction between group companies are eliminated. Unrealized losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Minority interests are that part of the net results of operations and of net assets of a subsidiary attributable to interests which are not owned directly or indirectly by the group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the date of acquisition by the group and the minorities' share of changes in equity since the date of acquisition, except when the losses applicable to the minority interests in a subsidiary exceed the minority interests in the equity of that subsidiary. In such cases, the excess and further losses applicable to the minority interests are attributed to the equity holders of the company unless the minority interests have a binding obligation to, and are able to, make good the losses. When that subsidiary subsequently reports profits, the profits applicable to the minority interests are attributed to the equity holders of the company until the minority interests' share of losses previously absorbed by the equity holders of the company have been recovered.

Investment in subsidiaries is stated at cost less accumulated impairment losses in the company's balance sheet. On disposal of investment in subsidiaries, the difference between net disposal proceeds and the carrying amounts of the investments are taken to the income statement.

2.3 Property, plant and equipment and depreciation

(a) Measurement

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment comprised its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the property, plant and equipment to its working condition and location for its intended use, any trade discounts and rebates are deducted in arriving at the purchase price. The projected cost of dismantlement, removal or restoration is also included as part of the costs of property, plant and equipment if the obligation for the dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

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

2.3 Property, plant and equipment and depreciation (Cont'd)

(b) Depreciation

Depreciation is calculated using the straight-line basis over their estimated useful lives 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

The residual values and useful lives of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision of the residual values and useful lives are included in the income statement for the financial year in which the changes arise.

Fully depreciated property, plant and equipment still in use are retained in the financial statements.

(c) Subsequent expenditure

Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of property, plant and equipment.

(d) Disposal

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

2.4 Impairment of non-financial assets

Property, plant and equipment are reviewed for impairment whenever there is any indication that these property, plant and equipment may be impaired. If any such indication exists, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) of the property, plant and equipment is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these property, plant and equipment, recoverable amount is determined on an individual property, plant and equipment basis unless the property, plant and equipment does not generate cash flows that are largely independent of those from other property, plant and equipment. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the property, plant and equipment belongs.

If the recoverable amount of the property, plant and equipment (or CGU) is estimated to be less than its carrying amount, the carrying amount of the property, plant and equipment (or CGU) is reduced to its recoverable amount.

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

2.4 Impairment of non-financial assets (Cont'd)

The impairment loss is recognised in the income statement unless the property, plant and equipment is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

An impairment loss for a property, plant and equipment is reversed if, and only if, there has been a change in the estimates used to determine the property, plant and equipment's recoverable amount since the last impairment loss was recognised. The carrying amount of property, plant and equipment is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the property, plant and equipment in prior years. A reversal of impairment loss for a property, plant and equipment is recognised in the income statement, unless the property, plant and equipment is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued property, plant and equipment was previously recognised in the income statement, a reversal of that impairment is also recognised in the income statement.

2.5 Income taxes

Current income tax liabilities (and assets) for current and prior periods are recognised at the amounts expected to be paid to (or recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date.

Deferred income tax assets/liabilities are recognised for all deductible taxable temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are measured at: -

(a) the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date; and

(b) the tax consequence that would follow from the manner in which the group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income tax are recognised as income or expenses in the income statement for the period.

2.6 Revenue recognition

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

(a) Sale of goods

Revenue from the sale of goods is recognised when the group has delivered the products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(b) Service income

Service income is recognised when services are rendered to customers.

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

2.6 Revenue recognition (Cont'd)

(c) Rental income

Rental income is recognised over the lease period and when it is earned.

(d) Interest income

Interest income is recognised on a time-proportion basis using the effective interest rate method.

(e) Dividend income

Dividend income from investments is recognised when the shareholder's right to receive payment have been established.

2.7 Financial assets

(a) Classification

The group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity, and available-for-sale. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date. The designation of financial assets at fair value through profit or loss is irrevocable.

(i) Financial assets, at fair value through profit or loss

This category has two sub-categories: "financial assets held for trading" and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short-term. Financial assets designated as at fair value through profit or loss at inception are those that are managed, and their performance are evaluated on a fair value basis, in accordance with a documented company's investment strategy. Derivatives are also categorised as "held for trading" unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months after the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except those maturing later than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are classified within "trade and other receivables" and "cash and cash equivalents" on the balance sheet.

(iii) Financial assets, held-to-maturity

Financial assets, held-to-maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity.

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

2.7 Financial assets (Cont'd)

(a) Classification (Cont'd)

(iv) Financial assets, available-for-sale

Financial assets, available-for-sale are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the assets within 12 months after the balance sheet date.

(b) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade date – the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

On sale of a financial asset, the difference between the net sale proceeds and its carrying amount is taken to the income statement. Any amount in the fair value reserve relating to that asset is also taken to the income statement.

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised in the income statement.

(d) Subsequent measurement

Financial assets, available-for-sale and at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and financial assets, held-to-maturity are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of "financial assets, at fair value through profit or loss" are presented in the income statement in the financial year in which the changes in fair values arise.

Changes in the fair value of monetary assets denominated in a foreign currency and classified as available-for-sale are analysed into translation differences resulting from changes in amortised cost of the asset and other changes. The translation differences are recognised in the income statement and other changes are recognised in the fair value reserve within equity. Changes in fair values of other monetary and non-monetary assets that are classified as available-for-sale are recognised in the fair value reserve within equity.

Interest on financial assets, available-for-sale, calculated using the effective interest method, is recognised in the income statement. Dividends on available-for-sale equity securities are recognised in the income statement when the group's right to receive payment is established. When financial assets classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in the fair value reserve within equity are included in the income statement as "gains and losses from investment securities".

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

2.7 Financial assets (Cont'd)

(e) Impairment

The group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

(i) Loans and receivables

An allowance for impairment of loans and receivables, including trade and other receivables, is recognised when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probabilities that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

(ii) Financial assets, held-to-maturity

If there is objective evidence that an impairment loss on held-to-maturity financial assets has incurred, the carrying amount of the asset is reduced by an allowance for impairment. This allowance, calculated as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate, is recognised in the income statement in the period in which the impairment occurs.

Impairment loss is reversed through the income statement. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

(iii) Financial assets, available-for-sale

In the case of an equity security classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the security is impaired.

When there is objective evidence that an available-for-sale financial asset is impaired, the cumulative loss that has been recognised directly in the fair value reserve is removed from the fair value reserve within equity and recognised in the income statement. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss on that financial asset previously recognised in income statement.

Impairment losses on debt instruments classified as available-for-sale financial assets are reversed through the income statement. However, impairment losses recognised in the income statement on equity instruments classified as available-for-sale financial assets are not reversed through the income statement.

2.8 Assets under hire purchase

Where assets are under hire purchase contracts, 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 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.

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

2.9 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 embodying economic benefits will be required to settle the obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to the present value where the effect is material.

2.10 Trade payables and other payables

Liabilities for trade and other payables are initially recognised at fair value and subsequently carried at amortised cost, using the effective interest method.

2.11 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.

2.12 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 contributions.

Employee leave entitlement

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.

2.13 Currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity in the group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Singapore Dollar, which is the company's functional currency.

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in the income statement.

Changes in the fair vale of monetary securities denominated in foreign currencies classified as available-for-sale are analysed into currency translation differences on the amortised cost of the securities, and other changes. Currency translation differences on the amortised cost are recognised in the income statement, and other changes are recognised in fair value reserve within equity.

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

2.13 Currency translation (Cont'd)

(b) Transactions and balances (Cont'd)

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined. Currency translation differences on non-monetary items, whereby the gains or losses are recognised in the income statement, such as equity investments held at fair value through profit or loss. Currency translation differences on non-monetary items whereby the gains or losses are recognised directly in equity, such as equity investments classified as available-for-sale financial assets are included in the fair value reserve.

2.14 Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Contingent rents are recognised as an expense in the income statement in the financial year in which they are incurred.

The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial year in which termination takes place.

2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.16 Dividends

Interim dividends are recorded in the financial year in which they are declared payable.

Final dividends are recorded in the financial year in which the dividends are approved by the shareholders.

2.17 Inventories

Inventories comprising goods held for sale, are measured at the lower of the cost (weighted average) and net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

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

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

2.18 Borrowings

Borrowings are initially recognised at the fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings which are due to be settled within 12 months after the balance sheet date are presented as current borrowings even through the original term was for a period longer than 12 months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the balance sheet date and before the financial statements are authorised for issue. Other borrowings due to be settled more than 12 months after the balance sheet date are presented as non-current borrowings in the balance sheet.

2.19 Financial guarantees

The company has issued corporate guarantees to banks for bank borrowings of its subsidiaries. These guarantees are financial guarantee contracts as they require the company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantee contracts are initially recognized at their fair values plus transaction costs.

Financial guarantee contracts are subsequently amortized to the income statement over the period of the subsidiaries' borrowings, unless the company has incurred an obligation to reimburse the bank for an amount higher than the unamoritised amount.

In this case, the financial guarantee contracts shall be carried at the expected amount payable to the bank.

2.20 Non-current assets held for sale

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair values less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the assets are available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

2.21 Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to the fair value is recognised immediately to the income statement.

2.22 Segment reporting

A business segment is a distinguishable component of the group engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of the group engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

2.23 Club membership

Club membership is stated at cost less any impairment in net recoverable value that has been recognised in the income statement.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical accounting estimates and assumptions

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over their useful lives. Management estimates the useful lives of these plant and equipment to be within 5 to 50 years. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these property, plant and equipment, therefore future depreciation charges could be revised.

(b) Income taxes

The group has exposure to income taxes in Singapore jurisdictions. Significant judgment is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognised liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

3.2 Critical judgements made in applying the group's accounting policies

In the process of applying the group's accounting policies, management has made certain judgements, apart from those involving estimations, which have significant effect on the amounts recognised in the financial statements.

(a) Impairment of property, plant and equipment

The group follows the relevant guidance of FRS 36 to determine whether property, plant and equipment is impaired. The determination requires significant judgements, the group evaluates, among other factors, the duration and extent to which the fair value of property, plant and equipment is less than its cost, including factors such as industry and sector performance and changes in technology. The carrying amounts of these property, plant and equipment are disclosed in Note 11 to the financial statements.

(b) Impairment of receivables

The group follows the relevant guidance of FRS 39 to determine whether receivables are impaired. This determination requires certain level of judgment. The group first assesses whether objective evidence of impairment exists for individually significant receivables and collectively for receivables which are not individually significant. The group evaluates, among other factors, financial status of the debtors, any changes in the collection status and changes in industry conditions that affect the debtors. Receivables that are evaluated for impairment is based on historical loss experience for receivables with similar credit risk characteristics.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONT'D)

3.2 Critical judgements made in applying the group's accounting policies (Cont'd)

(c) Allowances for inventories

Management reviews the inventory listing on a periodic basis. This review involves comparison of the carrying value of the inventory items with the respective net realizable value. The purpose is to ascertain whether an allowance is required to be made in the financial statements for any obsolete and slow-moving items. The management estimates the net realisable value of goods for resale based primarily on the latest selling prices.

4. SHARE CAPITAL

	GROUP AND COMPANY	
	2007 $'000	2006 $'000
Issued and fully paid:-		
347,105,250 ordinary shares	29,601	29,601

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

5. BILLS PAYABLE AND BANK LOANS

	GROUP	
	2007 $'000	2006 $'000
Bills payable to banks	31,629	13,481
Bank loan I	4,253	–
Bank loan II	2,134	2,236
Bank loan III	1,889	2,114
Bank loan IV	1,083	1,584
Short-term bank loans	9,623	6,225
	50,611	25,640
Current portion	(42,972)	(20,526)
Non-current portion	7,639	5,114

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

Bank loans

(i) Bank loan I

Bank loan of $4,400,000 commencing in 2007, which is repayable by 59 equal monthly instalments of $73,334 and a final instalment of $73,294. It bears interest at 3.75% per annum for the first year, 4.25% per annum for the second year, 1.25% per annum over prevailing cost of funds for the third year and thereafter at the prevailing prime rate.

(ii) Bank loan II

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

(iii) Bank loan III

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

(iv) Bank loan IV

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

The bank loans are secured by leasehold land and buildings and non-current assets classified as held for sale with carrying amounts of about $8,986,000 and $8,264,000 (2006: $16,224,000 and $Nil) respectively as disclosed in Notes 11 and 18 respectively.

Bills payable and short term loan

Bills payable and short term loans granted to the group are secured by the corporate guarantee given by the company.

In 2006, one of the short term bank loan was secured by a charge on a plant and equipment with carrying amount of about $1,496,000.

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

Bills payable and short term loan (Cont'd)

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

	GROUP		
	Bills payable $'000	Bank loans $'000	Total $'000
30 June 2007			
Singapore Dollar	4,512	18,982	23,494
United States Dollar	27,117	–	27,117
	31,629	18,982	50,611
30 June 2006			
Singapore Dollar	2,661	12,159	14,820
United States Dollar	10,820	–	10,820
	13,481	12,159	25,640

The effective rates of interest range from 3.44% to 6.75% (2005: 2.50% to 6.69%) per annum.

6. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

	GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Minimum lease payments payable: -				
Within one year	192	1,770	179	1,718
Within two to five years	150	30	138	26
	342	1,800	317	1,744
Finance charges allocated to future periods	(25)	(56)	–	–
Present value of minimum lease payments	317	1,744	317	1,744
Less: Repayable within one year included under current liabilities			(179)	(1,718)
Repayable after one year			138	26

6. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS (CONT'D)

	COMPANY			
	Minimum lease payments		Present value of minimum lease payments	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Minimum lease payments payable: -				
Within one year	102	–	94	–
Within two to five years	145	–	134	–
	247	–	228	–
Finance charges allocated to future periods	(19)	–	–	–
Present value of minimum lease payments	228	–	228	–
Less: Repayable within one year included under current liabilities			(94)	–
Repayable after one year			134	–

The effective rates of interest range from 2.4% to 5.4% (2006: 2.4% to 5%) per annum.

The hire purchase contracts are secured against the respective assets under hire purchase and corporate guarantees by the company.

7. DEFERRED TAXATION

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

The movement in deferred taxation position is as follows:-

	GROUP	
	2007	2006
	$'000	$'000
Balance at beginning of year	602	482
Current year	341	120
Balance at end of year	943	602

8. TRADE PAYABLES

	GROUP		COMPANY	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Outside parties	16,654	8,451	238	132

8. TRADE PAYABLES (CONT'D)

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

	GROUP		COMPANY	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Singapore Dollar	8,000	6,822	238	132
Euro	4	82	–	–
United States Dollar	8,523	1,547	–	–
Malaysia Ringgit	127	–	–	–
	16,654	8,451	238	132

9. OTHER PAYABLES

	GROUP		COMPANY	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Accruals for directors' fees	105	101	105	101
Rental deposit received	458	397	–	–
Customer deposits	682	–	–	–
Sundry creditors	508	301	279	7
	1,753	799	384	108

The carrying amount of the other payables are denominated in Singapore Dollars.

10. NON-HEDGING CURRENCY DERIVATIVE FINANCIAL INSTRUMENTS

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

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

	GROUP	
	2007 $'000	2006 $'000
Forward foreign currency contracts		
- Sold	–	9,522

At 30 June 2006, the total notional amount of outstanding forward foreign currency put and call options were SGD 28,566,000 (USD 18,000,000) and SGD 27,773,000 (USD 17,500,000) respectively.

For financial year ended 30 June 2006, changes in the fair value of non-hedging currency derivative financial instruments amounting to about $335,000 had been charged to the income statement.

Notes to the Financial Statements

Year Ended 30 June 2007

11. PROPERTY, PLANT AND EQUIPMENT

GROUP	Leasehold land and buildings $'000	Leasehold land and buildings in progress $'000	Air-conditioners, electrical installations and computers $'000	Containers, renovations and warehouse $'000	Furniture, fittings and office equipment $'000	Plant, machinery and material handling equipment $'000	Motor vehicles, truck and cranes $'000	Total $'000
Cost: -								
As at 1 July 2005	19,775	5,399	641	1,496	297	10,704	3,186	41,498
Additions	157	306	60	424	33	1,371	2,053	4,404
Transfer	5,705	(5,705)	–	–	–	–	–	–
Disposals	–	–	–	–	(2)	(380)	(799)	(1,181)
As at 30 June 2006	25,637	–	701	1,920	328	11,695	4,440	44,721
Additions	6,529	–	31	121	21	1,136	432	8,270
Disposals	–	–	–	(10)	(2)	(130)	(424)	(566)
Reclassified to assets held for sale	(15,444)	–	–	–	–	–	–	(15,444)
As at 30 June 2007	16,722	–	732	2,031	347	12,701	4,448	36,981
Accumulated depreciation: -								
As at 1 July 2005	3,592	–	356	1,007	201	6,098	2,342	13,596
Depreciation charged for the year	937	–	71	157	32	1,030	349	2,576
Disposals	–	–	–	–	(2)	(310)	(799)	(1,111)
As at 30 June 2006	4,529	–	427	1,164	231	6,818	1,892	15,061
Depreciation charged for the year	1,105	–	82	198	33	1,212	614	3,244
Disposals	–	–	–	(10)	(2)	(130)	(86)	(228)
Reclassified to assets held for sale	(1,961)	–	–	–	–	–	–	(1,961)
As at 30 June 2007	3,673	–	509	1,352	262	7,900	2,420	16,116
Carrying amount: -								
As at 30 June 2007	13,049	–	223	679	85	4,801	2,028	20,865
As at 30 June 2006	21,108	–	274	756	97	4,877	2,548	29,660

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

COMPANY	Motor vehicle $'000
Cost:	
As at 1 July 2005 and 30 June 2006	–
Additions	338
As at 30 June 2007	338
Accumulated depreciation:-	
As at 1 July 2005 and 30 June 2006	–
Depreciation charge for the year	40
As at 30 June 2007	40
Carrying amount:-	
As at 30 June 2007	298
As at 30 June 2006	–

Certain plant and equipment with carrying amount of about $354,000 (2006: $2,213,000) are under hire purchase contracts.

Leasehold land and buildings with carrying amount of about $8,986,000 (2006: $16,224,000) are under mortgage with banks (Note 5).

On 24 August 2007, the group had entered into conditional put and call option agreements to seal the deal with HSBC Institutional Trust Services (Singapore) Limited as trustee of Mapletree Logistics Trust in respect of the proposed sale and leaseback for four of the group's industrial-cum-warehousing facilities in Jurong with carrying amount of about $13,483,000 as at 30 June 2007, for a total consideration of about $36.8 million. Accordingly, the said properties with carrying amount of about $13,483,000 have been presented separately on the balance sheet as non-current assets classified as held for sale, as the said transaction is expected to be completed within the next one year from the balance sheet date (See Note 18).

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

Location	Description	Tenure
76 Joo Koon Circle Singapore 629096	Warehouse with land area of 4,920 square metres Partially sub-leased to third parties	Lease of 30 years ending 30 September 2010
119 Neythal Road Singapore 628605 [i]	Land area of 9,015 square metres Leased to third parties	Lease of 60 years ending 30 June 2039

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

Location	Description	Tenure
31 Pioneer Road North Singapore 628472 and 33 Pioneer Road North Singapore 628474 (i)	Office premises, factory and warehouse with land area of 7,739 square metres	Lease of 30 years ending 30 April 2023 *
14 Gul Road Singapore 629344	Yard with land area of 21,089 square metres	Lease of 30 years ending 15 January 2010 *
30 Tuas South Avenue 8 Singapore 637653 (i)	Factory with land area of 8,305 square metres Leased to third parties	Lease of 30 years ending 31 August 2028 *
30 Jalan Samulun Singapore 629120	Yard-cum-factory with land area of 9,590 square metres Partially sub-leased to third parties	Lease of 26 years ending 15 April 2030
4 Pioneer Sector 1 Singapore 628416	Warehouse with land area of 11,270 square metres Partially sub-leased to third parties	Lease of 30 years ending 31 May 2011
8 Tuas View Square Singapore 637574 (i)	Land area of 4,497 square metres Leased to third parties	Lease of 60 years ending 29 October 2056
12 Gul Road Singapore 629343	Yard-cum-factory with land area of 32,986 square metres	Lease of 11 years ending 7 August 2018

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

(i) As at the balance sheet date, the carrying amount of these properties are presented in the balance sheet as non-current assets classified as held for sale.

12. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2007 $'000	2006 $'000
Unquoted equity shares, at cost	16,506	16,506

12. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of subsidiaries	Principal activities	Country of incorporation/ place of business	Percentage of equity held 2007 %	Percentage of equity held 2006 %	Cost of investment 2007 $'000	Cost of investment 2006 $'000
Union Steel Pte. Ltd. (1)	Recycling of non-ferrous metal and stainless steel	Singapore	100	100	4,093	4,093
YLS Steel Pte Ltd (1)	Recycling of scrap metals, trading of steel products, waste collection and management, car scrapping services and rental of steel plates	Singapore	100	100	12,105	12,105
Yew Lee Seng Metal Pte Ltd (1)	Demolition of buildings and trading of ferrous and non-ferrous scrap metals	Singapore	100	100	308	308
					16,506	16,506

Held through subsidiary Union Steel Pte Ltd

Name of subsidiaries	Principal activities	Country of incorporation/ place of business	Percentage of equity held 2007 %	Percentage of equity held 2006 %
Union Aluminium Pte Ltd	Manufacture of non-ferrous metal alloys	Singapore	55	–

(1) Audited by LTC & Associates

13. GOLF CLUB MEMBERSHIP

	GROUP AND COMPANY 2007 $'000	GROUP AND COMPANY 2006 $'000
At cost	159	–
Market value	225	–

Notes to the Financial Statements

Year Ended 30 June 2007

14. INVENTORIES

	GROUP	
	2007 $'000	2006 $'000
Trading stocks	37,035	27,138
Work-in-progress	115	–
Stocks-in-transit	6,270	–
	43,420	27,138
Less: Allowance for impairment loss in value	(819)	–
	42,601	27,138

The movement in allowance for impairment loss in value of inventories account is as follows: -

	GROUP	
	2007 $'000	2006 $'000
Balance at beginning of year	–	–
Allowance made	819	–
Balance at end of year	819	–

15. TRADE RECEIVABLES

	GROUP	
	2007 $'000	2006 $'000
Outside parties	21,939	11,446
Less: Allowance for doubtful trade debts	(629)	(205)
	21,310	11,241

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

	GROUP	
	2007 $'000	2006 $'000
Balance at beginning of year	205	214
Allowance made	424	14
Allowance reversed	–	(23)
Balance at end of year	629	205

15. TRADE RECEIVABLES (CONT'D)

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

	GROUP	
	2007	2006
	$'000	$'000
Singapore Dollar	13,431	6,233
United States Dollar	7,879	5,008
	21,310	11,241

16. OTHER RECEIVABLES AND PREPAYMENTS

	GROUP		COMPANY	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Advance payment to supplier for the purchase of plant and equipment	–	277	–	–
Dividends receivable from subsidiaries	–	–	4,156	4,000
Prepayments	527	143	376	5
Subsidiaries	–	–	8,200	7,111
Tax recoverable	164	20	164	20
	691	440	12,896	11,136

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

The carrying amount of the other receivables are denominated in Singapore Dollar.

17. CASH AND BANK BALANCES

	GROUP		COMPANY	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Cash and bank balances	14,953	7,044	340	130
Fixed deposits, unpledged	5,210	5,053	5,210	5,053
	20,163	12,097	5,550	5,183

17. CASH AND BANK BALANCES (CONT'D)

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

	GROUP		COMPANY	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Singapore Dollar	17,227	9,506	5,543	5,172
United States Dollar	2,936	2,591	7	11
	20,163	12,097	5,550	5,183

The fixed deposits bear effective rates of interest range from 2.12% to 2.25% (2006: 3.16% to 3.23%) per annum.

The maturity period for the fixed deposits range from 3 days to 30 days (2006: 19 days to 26 days) from the financial year end.

18. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

With adoption of FRS 105, on the basis that non-current assets are recovered principally through a sale transaction rather than through continuing use, the leasehold land and buildings is classified as non-current assets held for sale.

	GROUP	
	2007 $'000	2006 $'000
Reclassified from property, plant and equipment	13,483	–

Certain non-current assets with carrying amount of about $8,264,000 are mortgaged with bank (Note 5).

19. REVENUE

	GROUP	
	2007 $'000	2006 $'000
Trading income	335,253	133,757
Service and rental income	2,608	2,265
	337,861	136,022

20. OTHER OPERATING INCOME

	GROUP	
	2007 $'000	2006 $'000
Foreign exchange gain	802	–
Bad trade debts recovered	3	1
Gain on disposal of plant and equipment	101	304
Rental income	3,403	2,538
Interest income	209	141
Sundry income	704	790
	5,222	3,774

21. FINANCE COST

	GROUP	
	2007 $'000	2006 $'000
Bank loans interest	535	458
Bank overdrafts interest	20	–
Hire purchase interest	56	66
Trust receipts interest	2,156	672
	2,767	1,196

22. PROFIT BEFORE INCOME TAX

	GROUP	
	2007 $'000	2006 $'000
This is determined after charging / (crediting): -		
Allowance for doubtful trade debts	424	14
Allowance for doubtful trade debts no longer required	–	(23)
Bad trade debts recovered	(3)	(1)
Changes in fair value of non-hedging currency derivative financial instruments	(335)	335
Depreciation of property, plant and equipment	3,244	2,576
Directors' fees	105	101
Directors' emoluments		
- remunerations	1,779	1,565
- benefit-in-kinds	246	210
Foreign exchange (gain) / loss, net	(802)	112
Gain on disposal of plant and equipment	(101)	(304)
Interest expense to non-related companies	2,767	1,196
Interest income from non-related companies	(209)	(141)

There is no non-audit fee paid to the auditors of the company (2006: $nil).

23. INCOME TAX EXPENSE

	GROUP	
	2007	2006
	$'000	$'000
Current year taxation	1,561	1,550
Deferred taxation		
- current	291	120
- underprovision in prior year	50	–
	1,902	1,670

The income tax expense varied from the amount of tax expense by applying the Singapore income tax rate of 18% (2006: 20%) to profit before income tax as a result of the following differences: -

	GROUP	
	2007	2006
	$'000	$'000
Accounting profit	9,950	8,002
Income tax expenses at statutory tax rate	1,791	1,600
Tax effect on non-allowable items	64	61
Tax saving on partial exempt income	(110)	(31)
Underprovision on deferred tax in prior year	50	–
Others	107	40
	1,902	1,670

24. BASIC EARNING PER SHARE

Basic earning per share is calculated based on the weighted average number of ordinary shares of 347,105,250 (2006: 340,855,250).

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

25. STAFF COST

	GROUP		COMPANY	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Wages, salaries and bonus	6,499	5,007	1,215	1,034
Employers' contribution to Central Provident Fund and Skill Development Levy	361	298	44	46
Other staff related expenses	452	378	246	225
	7,312	5,683	1,505	1,305

26. RELATED PARTY TRANSACTIONS

An entity or individual is considered to be a related party of the company and of the group for the purpose of the financial statements if:-

(i) it possess ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the company or vice-versa; or

(ii) it is subject to common control or common significant influence.

The balances with these parties are unsecured, free of interest and repayable on demand.

Significant transactions with subsidiaries:-

	2007 $'000	2006 $'000
Management fees income	2,184	1,717

Key management personnel compensation

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

	GROUP		COMPANY	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Short-term benefits	2,653	2,273	1,503	1,338

27. REMUNERATION BANDS OF DIRECTORS OF THE COMPANY

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

	GROUP	
	2007	2006
Executive directors		
Above $750,000	1	1
$500,000 - $749,999	1	1
$250,000 - $499,999	1	1
Non-executive directors		
Below $250,000	3	3
	6	6

28. CONTINGENT LIABILITIES

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

	GROUP	
	2007	2006
	$'000	$'000
Bankers' guarantee	952	56
Letter of credit	5,038	5,157
	5,990	5,213

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

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

The details of the securities are disclosed in Note 5.

29. OPERATING LEASE COMMITMENTS

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

	GROUP	
	2007	2006
	$'000	$'000
Payable: -		
Not later than one year	1,657	1,423
Later than one year and not later than five years	4,154	3,623
Later than five years	9,526	7,160

The rental expenses for the current year were about $1,458,000 (2006: $1,460,000).

30. 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.

30. SEGMENT INFORMATION (CONT'D)

(a) Segment revenue and expenses

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

(b) Segment assets and liabilities

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

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

	Recycling		Trading		Others		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
REVENUE								
Total revenue	284,819	113,055	50,434	20,702	2,608	2,265	337,861	136,022
RESULT								
Segment result	9,390	5,911	2,496	2,526	(310)	486	11,576	8,923
Other operating income							5,222	3,774
Unallocated corporate expenses							(4,081)	(3,499)
Profit from operations							12,717	9,198
Finance cost							(2,767)	(1,196)
Profit before Income tax							9,950	8,002
Income tax expense							(1,902)	(1,670)
Profit after Income tax							8,048	6,332

30. SEGMENT INFORMATION (CONT'D)

(ii) Geographical segments

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

	Revenue	
	2007 $'000	2006 $'000
China	105,724	41,973
Singapore	74,171	35,931
Bangladesh	7,931	22,411
India	31,119	16,059
Indonesia	16,952	5,677
Malaysia	22,261	4,433
Japan	882	1,073
Taiwan	2,854	819
Sri Lanka	8	308
Germany	4,429	259
Others *	71,530	7,079
	337,861	136,022

* Includes Belgium, Brazil, Brunei, Canada, Eqypt, Greece, Hong Kong, Holland, Israel, Italy, Korea, Kenya, Maldives, Myanmar, Netherland, Nepal, New Zealand, Philippines, Pakistan, Switzerland, Sweden, Turkey, Thailand, UEA, United Kingdom, USA, and Vietnam.

31. FINANCIAL RISK MANAGEMENT

The group's activities expose it to variety of financial risks, including the effect of changes in foreign currency exchange rates and interest rates, along with credit and liquidity risks. The group has adopted risk management policies that seek to mitigate these risks in a cost-effective manner. Financial assets that expose the group to financial risk consist principally of cash and bank balances, trade receivables and other receivables. Financial liabilities that expose the group to financial risk consist principally of bank borrowings, obligations under hire purchase contracts, trade payables and other payables.

Foreign exchange risk

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

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

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

31. FINANCIAL RISK MANAGEMENT (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.

The group places its cash with creditworthy institutions.

Liquidity risk

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

Fair value

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

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

32. SIGNIFICANT TRANSACTION

On 22 January 2007, the company had entered into a sales and purchase agreement with Messrs Lim Eng Koo and Seh Yin Yoke for acquisition of all the issued and paid share capital of the J P Nelson Group. The aggregate purchase consideration for the Proposed Acquisition is $45.5 million. The Purchase Consideration shall be satisfied by the allotment and issue of 119,000,000 new ordinary shares together with the payment of the sum of $1.5 million by the company upon the due completion of the proposed acquisition.

The said transaction is subject to relevant regulatory approvals and will be put forward to voting by the shareholders at an extraordinary general meeting to be held at a later date.

33. SUBSEQUENT EVENTS

(a) On 13 July 2007, the company had entered into a conditional sale and purchase agreement dated 13 July 2007 with Messrs Lim Puay Hock and Ang Siok Hah for the acquisition of 65% of the issued and paid up share capital of Lim Asia Steel Pte Ltd. The aggregate purchase consideration for the Proposed Acquisition is $1,000,000 and was determined based on a willing-buyer willing-seller basis. The Purchase Consideration shall be satisfied by the payment of the sum of $1,000,000 by the company upon the due completion of the proposed acquisition.

(b) On 24 August 2007, the group had entered into conditional put and call option agreements to seal the deal with HSBC Institutional Trust Services (Singapore) Limited as trustee of Mapletree Logistics Trust in respect of the proposed sale and leaseback for four of the group's industrial-cum-warehousing facilities in Jurong for a total consideration of $36.8 million.

The said sale and purchase agreement is subject to the approval by the relevant authority and shareholders of the company.

Shareholding Statistics

As at 17 September 2007

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

Distribution of shareholdings as at 17 September 2007

Size of shareholdings	No. of shareholders	%	No. of Shares	%
1 – 999	0	0.00	0	0.00
1,000 – 10,000	692	42.38	5,008,000	1.44
10,001 – 1,000,000	923	56.52	62,240,000	17.93
1,000,001 and above	18	1.10	279,857,250	80.63
Total	1,633	100.00	347,105,250	100.00

Twenty largest shareholders as at 17 September 2007

No.	Name of shareholders	No. of shares	%
1	Ang Yu Seng	114,373,674	32.95
2	Ang Yew Lai	47,171,050	13.59
3	Hong Leong Finance Nominees Pte Ltd	31,682,000	9.13
4	Ang Yew Chye	23,094,526	6.65
5	Super Coffeemix Manufacturing Ltd	20,000,000	5.76
6	Teo Kee Bock	10,000,000	2.88
7	Lian Bee Metal Pte Ltd	8,416,000	2.42
8	Citibank Nominees Singapore Pte Ltd	5,200,000	1.50
9	UOB Kay Hian Pte Ltd	4,245,000	1.22
10	Kim Eng Securities Pte. Ltd.	2,938,000	0.85
11	CIMB-GK Securities Pte. Ltd.	2,366,000	0.68
12	DBS Vickers Securities (S) Pte Ltd	1,971,000	0.57
13	Seah Kiok Leng	1,865,000	0.54
14	United Overseas Bank Nominees Pte Ltd	1,557,000	0.45
15	Phillip Securities Pte Ltd	1,382,000	0.40
16	Chong Hock Ping	1,270,000	0.37
17	OCBC Securities Private Ltd	1,176,000	0.34
18	Phua Hua Seng	1,150,000	0.33
19	Qiu Qianliang	1,000,000	0.29
20	Lau Eng Tiong	859,000	0.25
	Total:	281,716,250	81.17

Based on the information available to the Company as at 17 September 2007, approximately 29.79% of the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

Shareholding Statistics

As at 17 September 2007

Substantial Shareholders

	Direct Interest	%	Deemed Interest	%
Ang Yu Seng	114,373,674	32.95	–	–
Ang Yew Lai	47,171,050	13.59	–	–
Ang Yew Chye	23,094,526	6.65	–	–
Super Coffeemix Manufacturing Ltd	20,000,000	5.76	–	–
Goi Seng Hui (1)	–	–	48,200,000	13.88
Teo Kee Bock (2)	10,000,000	2.88	20,000,000	5.76
Te Lay Hoon (3)	–	–	30,000,000	8.64

(1) Goi Seng Hui is deemed to be interested in 20,000,000 shares held by Super Coffeemix Manufacturing Ltd. and 28,200,000 shares are held in the name of Hong Leong Finance Nominees Pte Ltd.

(2) Teo Kee Bock is deemed to be interested in the 20,000,000 shares held by Super Coffeemix Manufacturing Ltd.

(3) Te Lay Hoon is deemed to be interested in the 10,000,000 shares held by her husband, Teo Kee Bock, and deemed to be interested in the 20,000,000 shares held by Super Coffeemix Manufacturing Ltd.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of UNION STEEL HOLDINGS LIMITED will be held at 33 Pioneer Road North Singapore 628474 on Friday, 26 October 2007 at 10.00 a.m. to transact the following business: -

AS ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts for the financial year ended 30 June 2007 and the Reports of the Directors and Auditors and the Statement by Directors thereon. **[Resolution 1]**

2. To approve the payment of Directors' Fees of $111,400 for the financial year ended 30 June 2007. (2006: $101,000) **[Resolution 2]**

3. To re-elect the following Directors retiring by rotation pursuant to Article 91 of the Company's Articles of Association.

   (i) Mr Siau Kai Bing **[Resolution 3]**
   (ii) Mr Chan Kok Poh **[Resolution 4]**

   Mr Mr Siau Kai Bing and Mr Chan Kok Poh will, upon re-election as Directors of the Company, remain as members of the Audit Committee.

4. To re-appoint Messrs LTC & Associates as the Auditors of the Company and to authorise the Directors to fix their remuneration. **[Resolution 5]**

5. To transact any other business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

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

6. Authority to allot and issue shares up to fifty per centum (50%) of the issued share capital

   "That pursuant to Section 161 of the Companies Act, Cap. 50 and Clause 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors be and are hereby empowered to allot and issue shares and/or convertible securities where the maximum number of shares to be issued upon conversion is determinable at the time of the issue of such securities in the Company (whether by way of rights, bonus or otherwise) at any time and from time to time thereafter to such persons and on such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided always that the aggregate number of shares and/or convertible securities to be issued shall not exceed fifty per centum (50%) of the issued share capital of the Company, of which the aggregate number of shares and/or convertible securities to be issued other than on a pro-rata basis to existing shareholders shall not exceed twenty per centum (20%) of the issued share capital of the Company (percentage of issued share capital being based on the issued share capital at the time such authority is given after adjusting for new shares arising from the conversion of convertible securities or employee share options on issue at the time such authority is given and any subsequent consolidation or subdivision of shares) and unless revoked or varied by the Company in general meeting and that such authority shall continue in force until the conclusion of the next Annual General Meeting or the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier." [See Explanatory Note (i)] **[Resolution 6]**

Notice of Annual General Meeting

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

   "That pursuant to the provision of The Union Steel Holdings Employee Share Option Scheme (the "Scheme"), authority be given to the Directors of the Company to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options under the Scheme, provided that the aggregate number of shares to be issued pursuant to the Scheme shall not exceed fifteen percent (15%) of the issued share capital of the Company at any time or from time to time." [See Explanatory Note (ii)] **[Resolution 7]**

By Order of The Board

HELEN CAMPOS THOMAS
Company Secretary

Singapore
11 October 2007

Notes:

1. A member of the Company entitled to attend and vote at the Annual General Meeting (the "Meeting") of the Company is entitled to appoint one or two proxies to attend and vote in his stead.

2. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholdings (expressed as a percentage of the whole) to be represented by each proxy.

3. A proxy need not be a member of the Company.

4. If the appointer is a corporation, the instrument appointing the proxy must be executed under seal or the hand of its duly authorized officer or attorney.

5. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 33 Pioneer Road North Singapore 628474 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

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

i) The Ordinary Resolution proposed in item (6) above, if passed, will empower the Directors of the Company, from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue new shares in the share capital of the Company. The number of new shares which the Directors may allot and issue under this Resolution shall not exceed fifty per centum (50%) of the issued share capital of the Company. For issues of shares other than on a pro rata basis to all shareholders, the aggregate number of shares to be allotted and issued shall not exceed twenty per centum (20%) of the issued share capital of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the conclusion of the next Annual General Meeting of the Company.

ii) The Ordinary Resolution proposed in item (7) above, if passed, will empower the Directors of the Company, from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue shares in the share capital of the Company of up to a number not exceeding in total fifteen per centum (15%) of the issued share capital of the Company for the time being pursuant to the exercise of the options under the Scheme.

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UNION STEEL HOLDINGS LIMITED
Co. Reg No. 200410181W
(Incorporated in the Republic of Singapore)

IMPORTANT:
1. For investors who have used their CPF monies to buy shares in Union Steel Holdings Limited, this report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to vote should contact their CPF Approved Nominees.

PROXY FORM
(Please see notes overleaf before completing this Form)

*I/We ____ of

____ being

*member/members of UNION STEEL HOLDINGS LIMITED (the "Company"), hereby appoint

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

And/or (delete as appropriate)

as my/our proxy to vote for me/us on my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting of the Company to be held at 33 Pioneer Road North Singapore 628474 on 26 October 2007 at 10.00 a.m. and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the Resolutions as set out in the Notice of Annual General Meeting. In the absence of specific directions, your proxy/proxies will vote or abstain from voting as he/they may think fit, as he/they will on any other matter arising at the Annual General Meeting.)

No.	Resolutions relating to:	For	Against
1	Adoption of Directors' Report and Financial Statements for the financial year ended 30 June 2007 together with the Auditors' Report thereon.		
2	Approval of Directors' Fees of $111,400 for the financial year ended 30 June 2007.		
3	Re-election of Mr Siau Kai Bing retiring pursuant to Article 91 of the Company's Articles of Association.		
4	Re-election of Mr Chan Kok Poh retiring pursuant to Article 91 of the Company's Articles of Association.		
5	Re-appointment of Messrs LTC & Associates as Auditors of the Company and authorisation of Directors to fix their remuneration.		
6	Authority to Directors to allot and issue new shares.		
7	Authority to grant options and issue shares under The UNION STEEL HOLDINGS Employee Share Option Scheme.		

Dated this __________ day of ________________________ 2007

Total number of Shares Held

____

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

* Delete accordingly

Notes: -

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50), you should insert that number of shares. If you have shares registered in your name in the Register of members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.

2. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy. However, if no such proportion is specified, the first named proxy may be treated as representing 100 per cent of the shareholding and any second named proxy as an alternate to the first named.

4. The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at 33 Pioneer Road North Singapore 628474 not less than forty-eight (48) hours before the time fixed for holding the Annual General Meeting.

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PLEASE
AFFIX
25 CENTS
POSTAGE
STAMP HERE

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

2nd fold here

5. This instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorized in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of any officer or attorney duly authorized.

6. A corporation which is a member may also authorize by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

7. The Company shall be entitled to reject this instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies.

8. In the case of members whose Shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have Shares entered against their names in the Depository Register as at forty-eight (48) hours before the time fixed for holding the Annual General Meeting as certified by the CDP to the Company.

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www.unionsteel.com.sg

UNION STEEL HOLDINGS LIMITED
友聯鋼鉄控股有限公司

33 Pioneer Road North Singapore 628474
Co Reg. No.: 200410181W
Tel: (65) 6861 9833
Fax: (65) 6862 9833