UNION STEEL HOLDINGS LIMITED

Annual Report 2008

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UNION STEEL HOLDINGS LIMITED
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Contents

Corporate Profile

Founded in 1984, Union Steel Holdings Limited ("Union Steel") has been at the forefront of metal recycling activities in Singapore. The Group is a one-stop supply centre for the recycling of ferrous and non-ferrous scrap metals, trading of steel products and 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. Union Steel Pte. Ltd., was also ranked among 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 1,000 customers in countries such as the PRC, India, Indonesia, Japan, Malaysia and Singapore. The Group intends to seek expansion opportunities via acquisitions and joint ventures in Asia.

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

Chairman's Statement

"Union Steel achieved a record high net profit of S$25.1 million for FY2008; a remarkable jump of 212.1% compared to that of FY2007. Eliminating the net profit from property gain of S$10.7 million, the net profit generated from our core business would be S$14.4 million compared to S$8 million in the previous year. This reflects strong growth from operations".

Dear Shareholders,

Financial year 2008 was a year marked with rising steel prices and strong demand, particularly demand for ferrous metals fuelled by the construction industry. Being one of the leaders in the steel industry, Union Steel had deftly capitalised on the favourable market conditions and turned in an excellent set of financial results.

Financial Review

In FY2008, gross profit grew by a substantial 44.3% to about S$31.5 million compared to the previous year. This was contributed by an improved gross profit margin as the bulk of the revenue came from the recycling of ferrous metals which has a higher profit margin compared to the recycling of non-ferrous metal. This growth was further supported by the increase in revenue from the two other business segments, Trading and Others, which improved by 50.9% and 120.4% respectively compared to FY2007.

In terms of costs, distribution cost fell by 27.9% to S$ 3.1 million; this was due to declines in both import and export of non-ferrous metals. Finance cost reduced marginally by 5.5% to S$2.6 million with better interest rates obtained from banks. Administration cost grew by 66.8% in FY2008 to S$13.3 million; this was brought about by the combined effects of higher remuneration, increased staff costs and agency fee incurred for the sale of properties. Operating expenses grew by 76.4% to S$3.5 million in FY2008 contributed mainly by higher rental expenses on leased back properties.

On the back of better profits, our earnings per share improved substantially from 2.32 cents to 7.24 cents for FY2008.

Dividends

In view of our outstanding performance, the directors are recommending a final dividend of S$0.03 per ordinary share for the financial period ended 30 June 2008. This represents a payout of about 41% of the Group's net profit after tax. The Group has been paying dividends since its listing and we will endeavor to maintain this regular dividend distribution.

Business Review

Our business is segmented into Recycling, which includes the recycling of ferrous and non-ferrous metals, the Trading of steel products and Others which comprises waste collection and management, demolition works and rental of steel plates.

Metal recycling has traditionally been the major contributor to revenue; for FY2008 it remained the key source of revenue contributing to about 73% or approximately S$220.8 million of total revenue. However, comparing revenue from recycling for FY2007 and FY2008, there was a drop of about 22.5% in FY2008.

This was due to a fall in the recycling of non-ferrous metals caused mainly by a decrease in demand from China. In Singapore, with the robust construction industry, demand for recycling of ferrous metals experienced a hearty jump although the increase did not compensate the fall in revenue from recycling of non-ferrous metals.

Metal recycling will remain our key business focus. In the year ahead, we will continue to grow this business through market expansion overseas. We will also seek further penetration into existing markets.

The trading business also benefited from the strong construction industry; finished steel products for building and construction use such as steel bars, beams and other structures were in good demand. As such, trading revenue for FY2008 grew by a hefty 50.9% compared to FY2007 and profit margin also grew.

The current construction boom is expected to sustain till 2010; the Group will actively expand its market share in the construction industry by providing a wider range of steel products for construction works.

Activities under the Others segment are complementary to our core business and thus its revenue grew in tandem with the better performance of our core business. For FY2008, revenue from the Others segment more than doubled compared to that of the previous year and it made a positive contribution to net profit.

Outlook & Future Plans

The steel industry is expected to remain volatile. However, despite the volatility, demand for steel products and recycled metals will be sustained by the many mega projects locally and the construction programmes in countries such as China and India. The robust marine industry also bodes well for the prospects of our Group.

With the many years of experience in this industry, we are well equipped to capitalise on the strong demand and manage the volatility to achieve the best results. The good geographical and industry spread of our customer base is one of our key strengths; this diversity has enabled us to adjust to changing market forces adeptly and has cushioned us from the adverse effects of a downturn in a particular market or industry.

In the year ahead, we will continue to chart for growth by extending our market presence overseas and step up our efforts in the area of mergers and acquisitions. We are targetting alliances with steel related businesses to further enhance the provision of finished steel products to our customers.

With uncertainties looming in the global financial market, there is a call for prudence. However, we remain optimistic and confident of our long term prospects. We will monitor the impact of market developments on our business and put in place strategies to continue on a growth path.

Barring unforeseen circumstances, the Group will continue to be profitable for FY2009 although growth is expected to be moderate.

Note of Appreciation

I would like to express my heartfelt appreciation to our shareholders for their support. To our board of directors who has given their time and shared with us their expertise in various fields, I would like to convey my gratitude. To our customers, suppliers and business partners, I would like to record a note of appreciation for their confidence and support. Last but not least, I want to thank our management and staff for their relentless commitment and devotion towards the success of the Group. Let us look forward to reaping the fruits of a good performance in FY2009.

Ang Yu Seng
Chairman & CEO


UNION STEEL
TOYOTA
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Business Overview

Metal Recycling

Our recycling operations primarily involve the collection, processing and packing of ferrous and non-ferrous scrap metals. We collect, process and pack the scrap metals and supply the recycled metals to our customers, which include steel mills, foundries, metals fabricators and metals brokers. We sell to our customers ferrous metals (such as steel and heavy melting scrap steel) and non-ferrous metals (such as copper, aluminium and stainless steel), processed according to the guidelines set by the Institute of Scrap Recycling Industries, Washington D.C.

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

Steel Trading

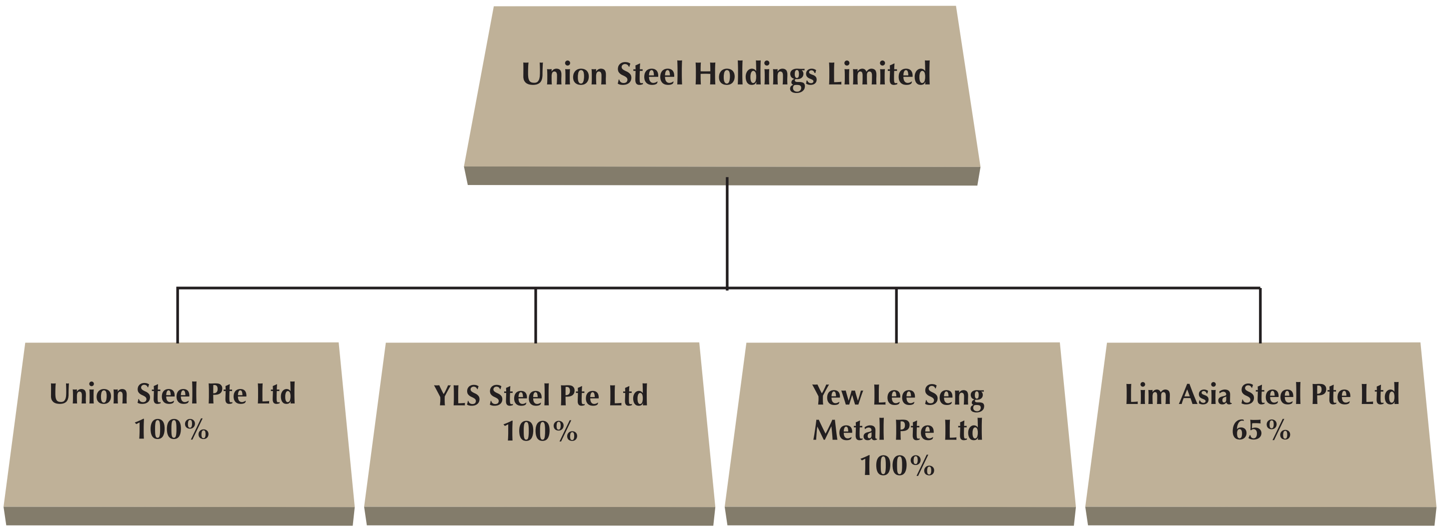
We are also in the steel trading business for products like steel plates, reinforcement steel bars, H-beams, I-beams, pipes and sheet piles. We purchase steel products that adhere to the guidelines set by the Singapore Standard.

Other Business

We are also into waste collection and management, demolition works, rental of steel plates and car scrapping services.

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

Group of Companies



Union Steel Pte Ltd is a fully owned subsidiary of Union Steel Holdings Limited. It has received several awards including the "Enterprise 50 Award" in 2003 & 2004 and was ranked among the top small and medium enterprises in the annual Singapore 500 Small Medium Enterprises awards in 2004.

Since 1991, Union Steel has been engaged in the complementary businesses of collecting, recycling and trading in all grades of non-ferrous scrap metals. We are one of the largest metal recycling companies in Singapore in terms of volume of metals recycled.

YLS Steel Pte Ltd is a fully owned subsidiary of Union Steel Holdings Limited. It was ranked among the top small and medium enterprises by DP Information Networks Pte Ltd in the annual Singapore 500 Small & Medium Enterprises awards in 2004.

YLS Steel Pte Ltd is engaged in the collection of scrap metals, sales of new material, rental of mild steel plates & it is a LTA authorized scrap car centre.

Yew Lee Seng Metal Pte Ltd is a fully owned subsidiary of Union Steel Holdings Limited. It is a registered contractor with Building and Construction Authority (BCA) under workhead CR03, Demolition. It specialises in demolition of institutional, commercial, industrial, residential buildings and services structures of many types and sizes with focus on entire demolition, plant dismantlement and en-bloc deconstruction for both public and private projects. It serves clients nationwide ranging from government bodies namely Housing and Development Board (HDB), Jurong Town Corporation (JTC), Defence Science and Technology Agency (DSTA), Land Transport Autority (LTA),Ministry of Eduction (MOE) and Singapore Land Authority (SLA), to private building developers and other major construction enterprises in the market and is committed to offering the best services of demolition works at competitive prices.

Lim Asia Steel Pte Ltd is a 65% owned subsidiary of Union Steel Holdings Limited. It was acquired on 29 February 2008. Lim Asia Steel is primarily engaged in the trading of steel products.

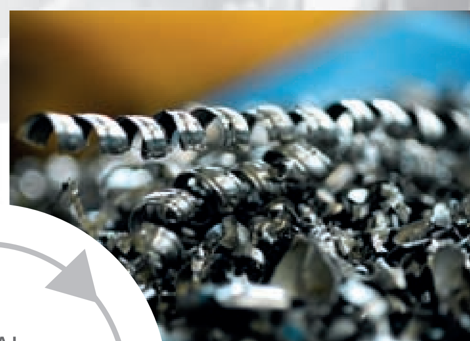
Our Facilities

Location	Approximate Land Area (sqm)	Principal Activities
31 & 33 Pioneer Road North Singapore 628474	7,739	Office premises, factory and warehouse for processing and storage of non-ferrous scrap metal
14 Gul Road Singapore 629344	21,089	Yard for steel products and processing of ferrous scrap metals
12 Gul Road Singapore 629343	32,986	Warehouse for storage of steel products
14 Defu Lane 11 Singapore 539170	4,750	Yard for storage of ferrous and non-ferrous scrap metals

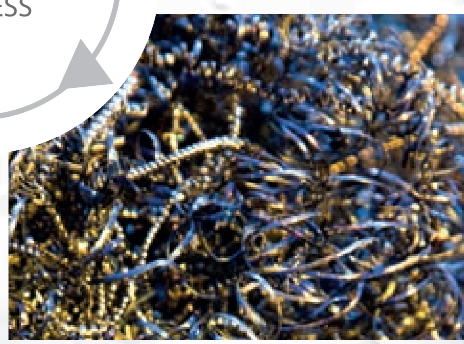
Our Process

Procurement & Collection

Sorting & Segregation



Quality Control,
Packing & Storage



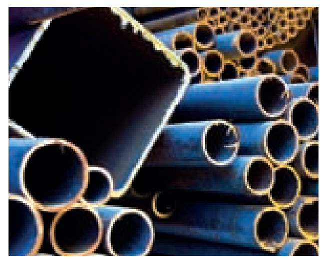
Shearing & Baling

Our Products

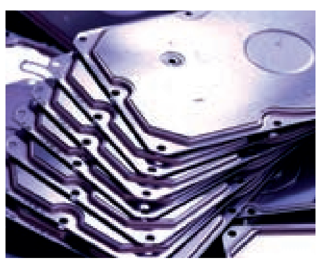
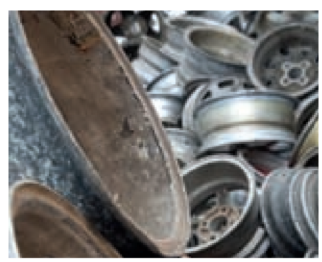
REUSABLE METALS

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

NON-FERROUS METALS

STEEL TRADING

From Left to Right:
Mr Siau Kai Bing, Mr Chang Yeh Hong, Mr Ang Yu Seng,
Mr Ang Yew Chye, Mr Chan Kok Poh, Mr Ang Yew Lai

Board of Directors

Mr Siau Kai Bing
Independent Director

Mr Siau Kai Bing was appointed an Independent Director of our Company on 28 June 2005. He has over 30 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 and Nominating Committee of Advanced Holdings Limited.

Mr Chang Yeh Hong
Independent Director

Mr Chang Yeh Hong was appointed 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. He is also the Independent Director and Chairman of both the audit committee and the remuneration committee of Jackspeed Corporation Limited.

Mr Ang Yu Seng
Executive Chairman/ Chief Executive Officer

Mr Ang Yu Seng is the co-founder of our group. He was appointed Executive Director on 12 August 2004. With over 25 years of experience in the scrap metal recycling business, he is responsible for the overall management and operations of our Group and also charts and reviews 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
Executive Director

Mr Ang Yew Chye was appointed 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 Chan Kok Poh
Independent Director

Mr Chan Kok Poh was appointed a Non-Executive Director of our Company on 28 June 2005. On 12 September 2008, he was appointed an Independent Director. Mr Chan is a member of the Singapore Institute of Directors and a Certified Public Accountant with the Institute of Certified Public Accountants of Singapore. He is the founder of Chan Kok Poh & Company, an audit firm providing auditing, taxation, accounting, corporate secretarial and consultancy services.

Mr Ang Yew Lai
Executive Director

Mr Ang Yew Lai was appointed an Executive Director of our Group on 12 August 2004. With over 20 years of experience in the business of recycling scrap metals, he 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.

Key Management

Ms Wang Fang
Project Manager

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

Ms Catherine Chang
Group Financial Controller

Ms Chang was appointed Group Financial Controller in April 2008. She is responsible for the corporate finance, accounting and treasury functions of our Group. Ms Chang has more than 10 years working experience in finance and accounting in various industries. She graduated from the University of Tasmania, Australia with a Bachelor's Degree in Business and Diploma in Accounting. She has been a member of CPA Australia since 1995.

Mr Jack Tan
Chief Operating Officer

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

Ms Cindy Zhang
Sales Manager

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

Ms Serene Soh
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 involved 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 Christine Qiu
Sales and Marketing Manager

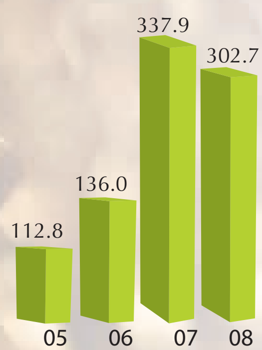
Ms Qiu is responsible for the trading of non-ferrous scrap metals such as aluminium, copper, brass as well as stainless steel scrap. She joined us in 1997. From 1993 to 1995, she worked as a ring dealer in the Shanghai representative office of the Agricultural Bank of China. Ms Qiu obtained a Bachelor's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

From Left to Right:
Ms Wang Fang, Ms Catherine Chang, Mr Jack Tan
Ms Serene Soh, Ms Christine Qiu, Ms Cindy Zhang

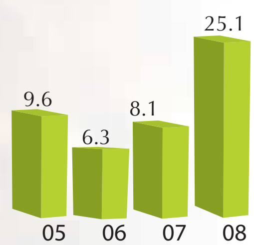
Financial Highlights

	FY2005	FY2006	FY2007	**FY2008**
Group Turnover (S$'million)	112.8	136.0	337.9	**302.7**
Group PAT (S$'million)	9.6	6.3	8.1	**25.1**
Group Gross Margin (%)	18.3	13.2	6.5	**10.4**
Group EPS (cents)	3.5	1.9	2.3	**7.2**
Group NTA (cents)	9.5	11.9	13.6	**19.7**

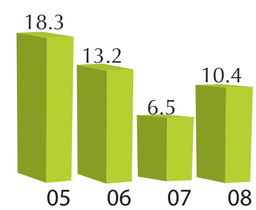
Group Turnover (S$'million)



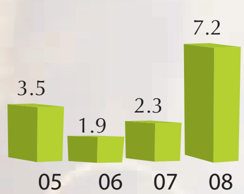
Group PAT (S$'million)



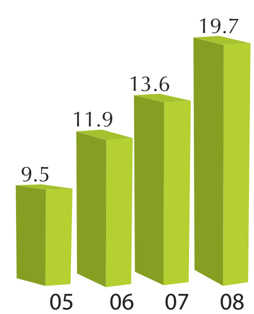
Group Gross Margin (%)



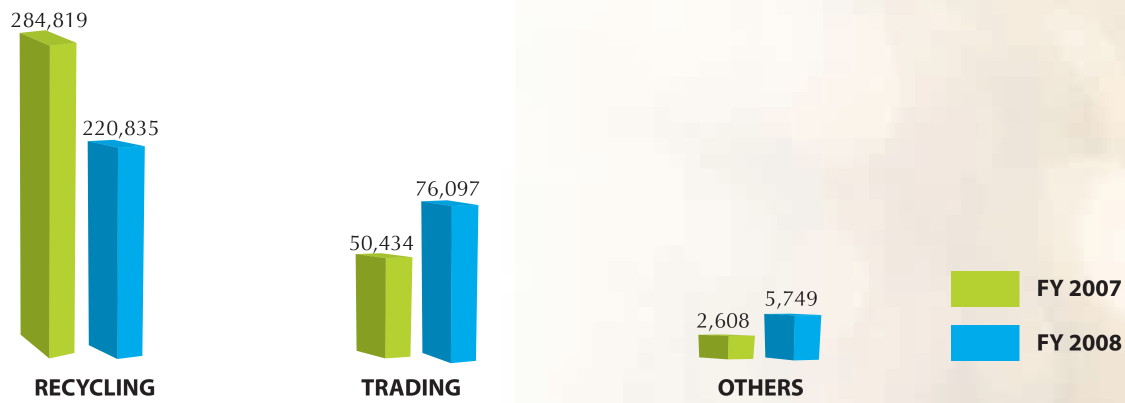
Group EPS (cents)



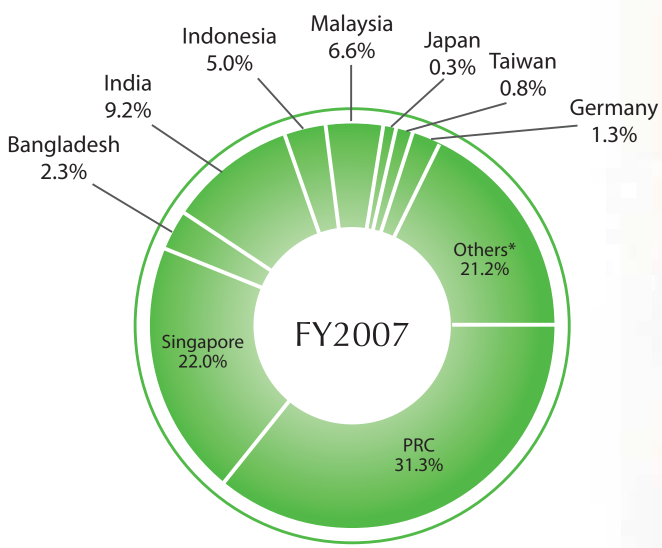
Group NTA (cents)



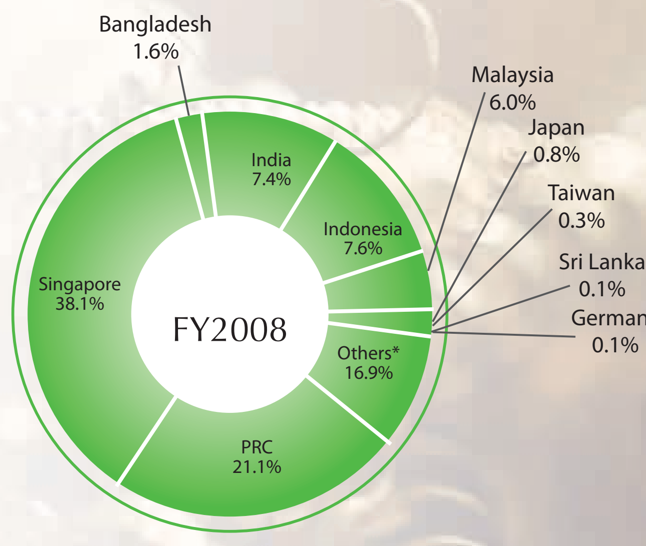
Group Segment Revenue (S$ '000)



Group Revenue by Geographical Region



FY 2007 (%)



FY 2008 (%)

* Belgium, Brazil, Canada, Egypt, Greece, Hong Kong, Holland, Israel, Italy, Korea, Myanmar, Netherlands, Nepal New Zealand, Pakistan, Switzerland, Sweden, Turkey, Thailand, UEA, United Kingdom, USA and Vietnam

Corporate Information

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

Chang Yeh Hong
Siau Kai Bing
Chan Kok Poh

NOMINATING COMMITTEE

Siau Kai Bing
Ang Yu Seng
Chang Yeh Hong

REMUNERATION COMMITTEE

Chan Kok Poh
Chang Yeh Hong
Siau Kai Bing

COMPANY SECRETARY

Helen Thomas
MC Corporate Services Pte Ltd
141 Cecil Street #03-02
Tung Ann Assoc Building
Singapore 069541

REGISTERED OFFICE

33 Pioneer Road North
Singapore 628474

SHARE REGISTRAR

BACS Private Limited
63 Cantonment Road
Singapore 089758

AUDITORS

LTC LLP
Public Accountants and
Certified Public Accountants
1 Raffles Place #20-02
OUB Center
Singapore 088619

AUDIT PARTNER IN CHARGE

Lim Boon Cheng
Date of Appointment
18 April 2008

PRINCIPAL BANKERS

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

INVESTOR RELATIONS CONSULTANTS

NRA Capital Pte Ltd
36 Robinson Road
#12 - 05/06 City House
Singapore 068877

Financial Contents

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, three of whom are independent non-executive directors. 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)

Independent Non-executive Directors
Mr Chan Kok Poh (Independent 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 reviewing 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 acquisition and divestment proposals.

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

The full Board meets on a regular basis and as 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 2007 to 30 June 2008 are disclosed as such:

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

Principle 2: Board Composition and Balance

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

The Board is of the opinion that its current size of six board members is appropriate, taking into account the nature and scope of the Company's operations. Together, the Board members possess a balanced field of core competencies to lead the Company. Details of the Board members' and key management staff qualifications and experience are presented in this Annual Report on page 11 to 12 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 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 bears responsibility for the strategic direction of the Group, and also bears 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 reviews the board papers, prior to presenting them to the Board. The Executive Chairman and CEO ensures that Board members are provided with complete, adequate and timely information on a regular basis to enable them to be fully appraised of the affairs of the Group. Board papers incorporating sufficient information from Management are forwarded to the Board Members in advance of a Board Meeting to enable each member to be adequately prepared.

Principle 4 : Board Membership

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

Chairman:	Mr Siau Kai Bing	(Independent 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 Ang Yew Chye and Mr Chang Yeh Hong.

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 quarterly reports of the Company's performance. The Management also consults with Board members regularly whenever necessary and appropriate. The Board is issued with timely board papers 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

Mr Chan Kok Poh was appointed Chairman of the Remuneration Committee ("RC") in place of Mr Chang Yeh Hong who relinquished his position as Chairman of the RC but he continues as a member of the RC. The RC, currently, comprises entirely of non-executive directors.

As at the date of this Report, the RC members are:

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

Principle 9 : Disclosure on Remuneration

A breakdown showing the level and mix of remuneration paid/payable for the financial year ended 30 June 2008 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	20	76	-	4
Ang Yew Lai	21	75	-	4
Ang Yew Chye	21	73	-	6
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 a Director or CEO whose remuneration in the financial year ended 30 June 2008 exceeded $150,000.

KEY EXECUTIVES

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

Range	Number of Executives
Below $250,000	6

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

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

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

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

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

Principle 11 : Audit Committee

The Audit Committee ("AC") comprises entirely of independent non-executive directors. 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	(Independent 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 quarterly, 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 LLP as the Company's external auditors at the forthcoming Annual General Meeting.

The Company has put in place a whistle-blowing policy, recommended by the AC and endorsed by the Board, where employees of the Company may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters. Arrangements are in place for the independent investigations of such matters and for appropriate follow up actions. The details of the whistle-blowing policy have been made available to all employees.

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 news release;
- Annual Report prepared and issued to all shareholders;
- Media 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 access 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 usually be present at annual general meetings to answer any questions relating to the work of these committees. The external auditors are also present to assist the directors in addressing any relevant queries by the shareholders.

Shareholders are encouraged to attend AGM/EGM to ensure a 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 full year results, and two weeks before the announcements of the quarterly 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

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 2008 and the balance sheet and statement of changes in equity of the Company as at 30 June 2008.

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 and 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, except as disclosed in the paragraph below.

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, debentures and warrants of the Company and related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act, except as follows:

The Company	At beginning of year	At end of year	At beginning of year	At end of year
	Number of ordinary shares		Number of warrants	
Ang Yu Seng	114,373,674	114,373,674	-	22,874,734
Ang Yew Lai	47,171,050	47,171,050	-	9,434,210
Ang Yew Chye	23,094,526	23,971,526	-	4,618,905
Chan Kok Poh	200,000	200,000	-	40,000
Chang Yeh Hong	100,000	100,000	-	20,000
Siau Kai Bing	100,000	100,000	-	20,000

There was no change in the above-mentioned directors' interests between the end of the financial year and 21 July 2008.

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

4. Directors' contractual benefits

Since the beginning of the financial year, no director of the Company 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 as disclosed in the financial statements. Certain directors of the Company received remuneration from related corporations in their capacities as directors and/or executives of those related corporations.

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
Chan Kok Poh
Siau Kai Bing

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

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

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

6. Warrants

On 15 April 2008, the Company issued 69,421,050 warrants to subscribe for 69,421,050 ordinary shares in the capital of the Company. Pursuant to the Warrants Issue and Offer Information Statement dated 20 March 2008, shareholders of the Company are entitled to subscribe for one warrant at an issue price of $0.03 on the basis of one warrant for every five existing ordinary shares in the capital of the Company held by them. Each warrant holder is entitled to subscribe for one new ordinary share in the capital of the Company at an issue price of $0.12 at any time from the date of issue of warrants up to 14 April 2011.

At the end of the financial year, details of the warrants issued in 2008 are as follows:

Date of grant of warrants	Exercise price per share	Warrants outstanding at 1 July 2007	Warrants granted	Warrants exercised	Warrants outstanding at 30 June 2008	Exercise period
15 April 2008	$0.12	-	69,421,050	(69,000)	69,352,050	15 April 2008 to 14 April 2011

The warrants granted by the Company do not entitle the holders of the warrants, by virtue of such holding, to any rights to participate in any share issue of the Company.

7. 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 carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act. In performing those functions, the directors met three times since the last Annual General Meeting ("AGM") and reviewed: -

a) the independent auditors' audit plan, and the results of the independent auditors' examination and evaluation of the Group's system of internal controls;

b) the scope and results of the internal audit procedures;

c) the balance sheet and the statement of changes in equity of the Company and the consolidated financial statements and the independent auditors' report on the balance sheet and the statement of changes in equity of the Company and consolidated financial statements, before submission to the Board of Directors for approval;

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

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 independent auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of LTC LLP for re-appointment as independent auditors of the Group at the forthcoming annual general meeting.

8. Independent auditors

The independent auditors, LTC LLP, have expressed their willingness to accept re-appointment.

On behalf of the directors,

Ang Yu Seng
Director

Ang Yew Lai
Director

Singapore, 29 August 2008

In the opinion of the directors,

(a) the accompanying balance sheet and statement of changes in equity of the Company and the consolidated financial statements of the Group together with the notes thereon are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2008 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company 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, 29 August 2008

We have audited the accompanying financial statements of Union Steel Holdings Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 31 to 68, which comprise the balance sheets of the Company and of the Group as at 30 June 2008, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement of the Group and the statement of changes in equity of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is 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:

(a) devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair income statement and balance sheets and to maintain accountability of assets;

(b) selecting and applying appropriate accounting policies; and

(c) 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 management, 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 balance sheet and statement of changes in equity of the Company and the consolidated financial statements of the Group 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 Company and of the Group as at 30 June 2008 and the results, changes in equity and cash flows of the Group and changes in equity of the Company 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 LLP
Public Accountants and
Certified Public Accountants

Singapore, 29 August 2008

BALANCE SHEETS

AS AT 30 JUNE 2008

	Note	GROUP 2008 $'000	GROUP 2007 $'000	COMPANY 2008 $'000	COMPANY 2007 $'000
ASSETS					
Current assets					
Cash and bank balances	4	30,402	20,163	6,240	5,550
Trade receivables	5	26,642	21,310	-	-
Other receivables and prepayments	6	1,223	691	11,161	12,896
Inventories	7	70,478	42,601	-	-
		128,745	84,765	17,401	18,446
Non-current assets classified as held-for-sale	8	-	13,483	-	-
Total current assets		128,745	98,248	17,401	18,446
Non-current assets					
Goodwill	9	2,237	-	-	-
Property, plant and equipment	10	21,993	20,865	230	298
Investments in subsidiaries	11	-	-	17,506	16,506
Golf club membership	12	159	159	159	159
Financial assets, available-for-sale	13	6,728	-	6,728	-
Total non-current assets		31,117	21,024	24,623	16,963
Total assets		159,862	119,272	42,024	35,409
LIABILITIES					
Current liabilities					
Trade payables	14	15,423	14,759	42	94
Other payables	15	5,407	3,648	443	528
Bank loans and bills payable	16	47,169	42,972	-	-
Bank overdraft	4	1,627	-	-	-
Obligations under hire purchase contracts	17	1,188	179	94	94
Deferred gain on sale of properties	18	2,074	-	-	-
Income tax payable		4,545	1,790	-	207
Total current liabilities		77,433	63,348	579	923
Non-current Liabilities					
Bank loans	16	3,872	7,639	-	-
Obligations under hire purchase contracts	17	189	138	39	134
Deferred gain on sale of properties	18	9,160	-	-	-
Deferred income tax liabilities	19	895	943	-	-
Total non-current liabilities		14,116	8,720	39	134
Total liabilities		91,549	72,068	618	1,057
NET ASSETS		68,313	47,204	41,406	34,352
EQUITY					
Share capital	20	29,612	29,601	29,612	29,601
Capital reserves	21	2,080	-	2,080	-
Fair value reserves		(2,589)	-	(2,589)	-
Retained earnings		39,210	17,558	12,303	4,751
Equity attributable to equity holders of the Company		68,313	47,159	41,406	34,352
Minority interests		-	45	-	-
TOTAL EQUITY		68,313	47,204	41,406	34,352

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

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	Note	2008 $'000	2007 $'000
Revenue	22	302,681	337,861
Cost of sales		(271,196)	(316,049)
Gross profit		31,485	21,812
Other income	23	20,541	5,222
Distribution and marketing expenses		(3,130)	(4,339)
Administrative expenses		(13,342)	(8,000)
Other operating expenses		(3,489)	(1,978)
Finance expenses	24	(2,616)	(2,767)
Profit before income tax	25	29,449	9,950
Income tax expense	26	(4,326)	(1,902)
Net profit for the year		25,123	8,048
Attributable to:			
Equity holders of the Company		25,123	8,048
Minority interests		-	-
		25,123	8,048
Basic earnings per share (cents)	27	7.24	2.32
Diluted earnings per share (cents)	27	6.74	2.32

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

	Share capital $'000	Capital reserves $'000	Fair value reserves $'000	Retained earnings $'000	Attributable to equity holders of the Company $'000	Minority Interests $'000	Total $'000
Group							
Balance as at 1 July 2006	29,601	-	-	11,766	41,367	-	41,367
Net profit for the year	-	-	-	8,048	8,048	-	8,048
Total recognised income for the year	-	-	-	8,048	8,048	-	8,048
Capital contribution	-	-	-	-	-	45	45
Dividend paid of $0.0065 per ordinary shares	-	-	-	(2,256)	(2,256)	-	(2,256)
Balance as at 1 July 2007	29,601	-	-	17,558	47,159	45	47,204
Fair value adjustment of financial assets available-for-sale	-	-	(2,589)	-	(2,589)	-	(2,589)
Net profit for the year	-	-	-	25,123	25,123	-	25,123
Total recognised income for the year	-	-	(2,589)	25,123	22,534	-	22,534
Capital contribution	-	-	-	-	-	(45)	(45)
Issue of new shares on conversion of warrants	11	-	-	-	11	-	11
Issue of warrants	-	2,080	-	-	2,080	-	2,080
Dividend paid of $0.01 per ordinary shares (Note 28)	-	-	-	(3,471)	(3,471)	-	(3,471)
Balance as at 30 June 2008	29,612	2,080	(2,589)	39,210	68,313	-	68,313

	Share capital $'000	Capital reserves $'000	Fair value reserves $'000	Retained earnings $'000	Total $'000
Company					
Balance as at 1 July 2006	29,601	-	-	2,946	32,547
Net profit for the year	-	-	-	4,061	4,061
Dividend paid	-	-	-	(2,256)	(2,256)
Balance as at 1 July 2007	29,601	-	-	4,751	34,352
Net profit for the year	-	-	-	11,023	11,023
Fair value adjustment of financial assets available-for-sale	-	-	(2,589)	-	(2,589)
Dividend paid	-	-	-	(3,471)	(3,471)
Issue of new shares on conversion of warrants	11	-	-	-	11
Issue of warrants	-	2,080	-	-	2,080
Balance as at 30 June 2008	29,612	2,080	(2,589)	12,303	41,406

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	GROUP	
	2008	2007
	S$000	S$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	29,449	9,950
Adjustments for: -		
Depreciation of property, plant and equipment	4,030	3,244
Gain on disposal of property, plant and equipment	(10,669)	(101)
Interest expenses	2,616	2,767
Interest income	(383)	(209)
Changes in fair value of non-hedging currency derivative financial instruments	-	(335)
Allowance for doubtful trade receivables	433	424
Allowance for impairment loss in value of inventories	-	819
OPERATING CASH FLOWS BEFORE WORKING CAPITAL CHANGES	25,476	16,559
Changes in operating assets and liabilities:-		
Inventories	(26,883)	(16,282)
Trade receivables	(5,463)	(10,494)
Other receivables and prepayments	(474)	(107)
Trade payables	226	8,203
Other payables	280	954
CASH USED IN OPERATIONS	(6,838)	(1,167)
Income tax paid	(1,867)	(1,553)
Income tax refund	183	-
Interest paid	(2,616)	(2,767)
Interest income received	383	209
NET CASH USED IN OPERATING ACTIVITIES	(10,755)	(5,278)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment (Note A)	(2,787)	(7,488)
Purchase of golf club membership	-	(159)
Investment in financial assets, available-for-sale	(9,317)	-
Proceeds from disposal of property, plant and equipment	35,691	439
Acquisition of subsidiary, net of cash acquired (Note B)	(1,000)	-
NET CASH FROM / (USED IN) INVESTING ACTIVITIES	22,587	(7,208)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares	11	-
Proceeds from issuance of warrants	2,080	-
Funds from long-term and short-term bank loans	8,105	13,523
Increase in bills payable	11,481	18,148
Repayment of long-term and short-term bank loans	(20,782)	(6,699)
Repayment of hire purchase contracts	(599)	(2,209)
Dividends paid	(3,471)	(2,256)
Capital contribution from minority shareholders of subsidiary	(45)	45
NET CASH (USED IN) / FROM FINANCING ACTIVITIES	(3,220)	20,552
Net increase in cash and cash equivalents	8,612	8,066
Cash and cash equivalents at beginning of the financial year	20,163	12,097
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 4)	28,775	20,163

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

Note A

During the year, the Group acquired property, plant and equipment with an aggregate cost of approximately $3,967,000 (2007: $8,270,000) of which $1,180,000 (2007: $782,000) were acquired by means of hire purchase contracts. Cash payment of about $2,787,000 (2007: $7,488,000) was made to purchase these property, plant and equipment.

Note B

Acquisition of subsidiary

On 29 February 2008, the Company acquired 65% of the issued share capital of Lim Asia Steel Pte Ltd for a net cash consideration of $1,000,000.

The effects of the acquisition of subsidiary on the cashflows of the Group were:

	Group Acquisition	
	At fair values $'000	Carrying amounts in acquiree's books $'000
Identifiable assets and liabilities		
Trade and other receivables	364	364
Inventories	994	994
Property, plant and equipment	1,413	1,413
Total assets	2,771	2,771
Trade and other payables	1,917	1,917
Borrowings	2,026	2,026
Income tax payable	65	65
Total liabilties	4,008	4,008
Identifiable net liabilities	(1,237)	
Less: Minority interests	-	
Identifiable net liabilties acquired	(1,237)	
Goodwill	2,237	
Cash consideration paid	1,000	
Less: Cash and cash equivalents in subsidiary acquired	-	
Net cash outflow on acquisition	1,000	

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

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

1. GENERAL

Union Steel Holdings Limited (the "Company") was incorporated in the Republic of Singapore.

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

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

The Company is listed on the Singapore Exchange.

The consolidated financial statements of the Group and balance sheet and statement of changes in equity of the Company were approved and authorised for issue by the board of directors on the date of the statement by directors.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

(a) Basis of accounting

The financial statements are prepared in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS").

The financial statements are prepared under the historical cost convention, except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollar which is the Group's functional currency. All financial information presented in Singapore Dollar has been rounded to the nearest thousand dollar, unless otherwise stated.

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 certain accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.22.

(b) Adoption of New and Revised FRS

On 1 July 2007, the Group adopted all of the new or revised FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date.

The adoption of these FRS and INT FRS did not result in any substantial changes to the Group's accounting policies and has no material effect on the financial statements, except for FRS 107 and Amendments to FRS 1. FRS 107 and Amendments to FRS 1 introduced new disclosures relating to financial statements and capital management respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of Preparation (continued)

(b) Adoption of New and Revised FRS (continued)

At the date of authorisation of these financial statements, the following FRS and INT FRS that are relevant to the Company and the Group were issued but not effective:

FRS1	Presentation of Financial Statements-Revised Presentation
FRS23	Borrowing Costs (revised)
FRS108	Operating Segments
FRS102	Share-based Payment: Amendments relating to vesting conditions and cancellations
FRS 111	FRS102 – Group and Treasury Share Transactions

The directors expect that the adoption of the above pronouncement will have no material impact to the financial statements in the period of initial application.

Certain new accounting standards have been published that are effective for accounting periods beginning on or after 1 July 2008. The directors anticipate that the adoption of these Standards in future periods will have no material impact on the financial statements of the Group.

2.2 Basis of Consolidation

(a) 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 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 unrealised gains on transaction between Group companies are eliminated. Unrealised 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 interest 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of Consolidation (continued)

(a) Subsidiaries (continued)

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.

(b) Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

2.3 Property, plant and equipment

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 any expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

Depreciation on property, plant and equipment is calculated using the straight line method to allocate their depreciable amounts 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.

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

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is taken to the income statement.

Assets held under finance lease are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Financial assets

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. 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.

(ii) Trade and other receivables

After initial recognition at fair value, trade and other receivables are measured at amortised cost using the effective interest method but short-duration receivables with no stated interest rate are normally measured at original invoice amount unless the effect of imputing interest would be significant. Trade and other receivables are stated after allowance for impairment. A receivable amount is regarded as impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

(iii) Financial assets, available-for-sale

Regular way purchases and sales of financial assets are recognised on trade-date-the date on which the Group commits to purchase or sell the assets.

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 disposal of a financial asset, the difference between the carrying amount and the sales proceeds is recognised in the income statement. Any amount in the fair value reserve relating to that asset is transferred to the income statement.

Financial assets are initially recognised at fair value plus transaction costs. Financial assets, available-for-sale is subsequently carried at fair value.

Changes in fair values of financial assets, available-for-sale are recognised in the fair value reserve. Dividend income are recognised separately in the income statement.

2.5 Impairment of assets

Assets of the Group and Company are subject to impairment requirements as stated below.

(i) Trade and other receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidences that the trade and other receivables are impaired

The amount of impairment 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. The carrying amount is reduced through the use of an allowance amount. The amount of the allowance is recognised in the income statement. If the receivable is uncollectible, it is written off against the allowance amount. Subsequent recoveries of amount previously written off are credited to income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Impairment of assets (continued)

(ii) Financial assets, available-for-sale

In case of listed security classified as available for sale, a significant or prolonged declines in the fair value of the security below its cost and the disappearance of an active trading market for the security are objective evidence that the security is impaired.

When there is objective evidence that an available-for-sale financial assets is impaired, the cumulative loss that was recognised in the fair value reserve is transferred to 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 previously recognised in the income statement. The impairment losses recognised in the income statement on the security are not reversed through the income statement.

(iii) Property, plant and equipment

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

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

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The impairment loss is recognised in the income statement unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in the income statement, unless the asset 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 asset was previously recognised in income statement, a reversal of that impairment is also recognised in income statement.

(iv) Goodwill

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired. Goodwill included in the carrying amount of an investment in subsidiary company is tested for impairment as part of the investment, rather than separately.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. Recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Impairment of assets (continued)

(iv) Goodwill (continued)

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised in the income statement and is not reversed in a subsequent period.

2.6 Non-current assets held for sale

Non-current assets are classified as assets held for sale and stated lower of carrying amount and fair value 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.

2.7 Club membership

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

2.8 Inventories

Inventories comprising goods held for sale, are measured at the lower of the cost (weighted average) and net realisable value. Cost comprises cost of purchases and other costs incurred in bringing the inventories to the present location and condition.

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

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

2.9 Financial liabilities

Financial liabilities include trade payables, which are normally settled on 30-90 day terms, other amounts payable, and interest-bearing loans and borrowings. Financial liabilities are recognized on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are initially recognized at fair value of the consideration received less directly attributable transaction cost and subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is extinguished. Gains and losses are recognized in the income statement when the liabilities are derecognized or impaired, and through the amortisation process.

Financial liabilities are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effects of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as finance costs.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

2.11 Assets under hire purchase

Where assets are under hire purchase contracts, the assets are capitalised in 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 property, 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.

2.12 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 and are classified as financial liabilities.

Financial guarantee contracts are subsequently amortised 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 unamortized amount. In this case, the financial guarantee contracts shall be carried at the expected amount payable to the bank.

2.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares and share options are recognised as a deduction from equity, net of any tax effects. Where the Company reacquires its own equity instruments as treasury shares, the amount of the consideration paid, including any directly attributable incremental cost net of any tax effects is deducted from equity. Where such shares are subsequently sold or reissued, the consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity. No gain or loss is recognised in the income statement.

2.14 Warrants

Proceeds from the issuance of warrants are credited to the capital reserve. When the warrants are exercised, the value of such warrants exercised standing to the credit of the capital reserve account will be transferred to the share capital account. At the expiry of the warrants, the balance in the capital reserve will be transferred to retained earnings.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Income tax

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.

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:-

(i) 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

(ii) the tax consequence that would follow from the manner in which the Company 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.

2.16 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 ("the functional currency"). The consolidated financial statements are presented in Singapore Dollar, which is the Company's and its subsidiaries' 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 transaction gains and losses resulting from the settlement of such transaction and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 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, and after eliminating sales within the Group.

Revenue is recognised as follows: -

(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.

(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.

2.18 Borrowings

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognised in income statement in the period in which they are incurred.

2.19 Operating leases

Leases of premises where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Rental income received or payments made net of any incentives received from the lessor under operating leases are taken to the income statement on a straight-line basis over the period of the lease.

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 income by the lessor and as an expense by the lessee in the period in which termination takes place.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Employee benefits

Defined contribution plan

As required by the law, the Group makes contributions to the state managed retirement benefit scheme, 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.

2.21 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 that is 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.

2.22 Critical judgements, assumptions and estimation uncertainties

The critical judgements made in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, 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. These estimates and assumptions are periodically monitored to make sure they incorporate all relevant information available at the date when the financial statements are prepared. However, this does not prevent actual figures differing from estimates.

(i) Inventory related allowance

A review is made periodically on inventory for excess inventory, obsolescence and declines in net realisable value below cost and record an allowance against the inventory balance for any such declines. These reviews require management to estimate future demand for their products. Possible changes in these estimates could result in revisions to the valuation of inventory. Management is of the view that the inventory allowance of $256,000 (2007: $819,000) is adequate and the carrying amount of inventory of $70,478,000 (2007: $42,601,000) will be recovered in full.

(ii) Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on straight-line basis over their useful lives. Management estimates the useful lives of these property, 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. The carrying amount of the assets affected by the assumption is $21,993,000 (2007: $20,865,000).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Critical judgements, assumptions and estimation uncertainties (continued)

(iii) Income taxes

The Group has exposure to income taxes in Singapore jurisdiction. Significant judgement 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 recognized 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 recognized, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made. The carrying amounts of the Group's current income tax payable and deferred income tax liabilities at 30 June 2008 were $4,545,000 (2007: $1,790,000) and $895,000 (2007: $943,000) respectively.

(iv) Impairment of trade receivables

The allowance for doubtful trade receivables is based on ongoing evaluation of recoverability and ageing analysis of the outstanding receivables and on management's estimate of the ultimate realization of these receivables, including creditworthiness and the past collection history of each customer. Management is of the view that the allowances of $539,000 (2007: $629,000) are adequate and the carrying amounts of $26,642,000 (2007: $21,310,000) will be recovered in full. Adjustment will be made in future periods in the event that there is objective evidence of impairment resulting from future loss event.

3. RELATED PARTY TRANSACTIONS

A related party is an entity or person that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common or joint control with, the entity in governing the financial and operating policies, or that has an interest in the entity that gives it significant influence over the entity in financial and operating decisions. It also includes members of the key management personnel or close members of the family of any individual referred to herein and other who are controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any such individual. This includes parents, subsidiaries, fellow subsidiaries, associates, joint ventures and post-employment benefit plans, if any.

There are transactions and arrangements between the Company and its subsidiaries the effects of these on the basis determined between the parties are reflected in these financial statements. The intercompany balances are unsecured, repayable on demand and interest-free unless stated otherwise.

In addition to the related party information disclosed elsewhere in the financial statements, the following were significant related party transactions during the financial year between the Company and its related companies at rates and terms agreed between the parties:

Significant transactions with subsidiaries: -

	Company	
	2008	2007
	$'000	$'000
Management fees income	2,400	2,184

3. RELATED PARTY TRANSACTIONS (CONTINUED)

Key management personnel compensation:-

	Group 2008 $'000	Group 2007 $'000	Company 2008 $'000	Company 2007 $'000
Short-term benefits	5,384	2,653	1,533	1,503

4. CASH AND BANK BALANCES

	Group 2008 $'000	Group 2007 $'000	Company 2008 $'000	Company 2007 $'000
Cash and bank balances	20,520	14,953	1,119	340
Fixed deposits	9,882	5,210	5,121	5,210
	30,402	20,163	6,240	5,550

For the purpose of the cash flow statement, the cash and cash equivalents comprise the following:

	Group 2008 $'000	Group 2007 $'000	Company 2008 $'000	Company 2007 $'000
Cash and bank balances	20,520	14,953	1,119	340
Fixed deposits	9,882	5,210	5,121	5,210
Less: Bank overdraft	(1,627)	-	-	-
	28,775	20,163	6,240	5,550

The carrying amounts of the cash and cash equivalents are denominated in the following currencies:

	Group 2008 $'000	Group 2007 $'000	Company 2008 $'000	Company 2007 $'000
Singapore Dollar	13,374	17,227	6,238	5,543
United States Dollar	15,401	2,936	2	7
	28,775	20,163	6,240	5,550

The fixed deposits bear effective rates of interest ranging from 0.8575% to 3.25% (2007: 2.12% to 2.25%) per annum.

The maturity periods for the fixed deposits range from 1 day to 23 days (2007: 3 days to 30 days) from the financial year end.

The bank overdraft bears interest of approximately 6.75% (2007: NIL) and is secured by a continuing joint and several personal guarantee from a subsidiary's directors.

5. TRADE RECEIVABLES

	Group 2008 $'000	Group 2007 $'000
Outside parties	27,181	21,939
Less: Allowance for doubtful trade receivables	(539)	(629)
	26,642	21,310

5. TRADE RECEIVABLES (CONTINUED)

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

	Group 2008 $'000	Group 2007 $'000
Balance at beginning of year	629	205
Allowance made	433	424
Allowance reversed	(523)	-
Balance at end of year	539	629

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

	Group 2008 $'000	Group 2007 $'000
Singapore Dollar	17,056	13,431
United States Dollar	9,586	7,879
	26,642	21,310

The average credit period taken to settle the trade receivable is about 30 days (2007: 20 days).

6. OTHER RECEIVABLES AND PREPAYMENTS

	Group 2008 $'000	Group 2007 $'000	Company 2008 $'000	Company 2007 $'000
Dividends receivable from subsidiaries	-	-	11,000	4,156
Subsidiaries	-	-	-	8,200
Tax recoverable	144	164	144	164
Other receivables	72	-	8	-
Prepayments	1,007	527	9	376
	1,223	691	11,161	12,896

Other receivables and prepayments are denominated in Singapore Dollar.

7. INVENTORIES

	Group 2008 $'000	Group 2007 $'000
Trading inventories	65,047	37,035
Work-in-progress	-	115
Inventories-in-transit	5,687	6,270
	70,734	43,420
Less: Allowance for impairment loss in value of inventories	(256)	(819)
	70,478	42,601

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

	Group 2008 $'000	Group 2007 $'000
Balance at beginning of financial year	819	-
Allowance made	-	819
Allowance reversed	(563)	-
Balance at end of financial year	256	819

The Group reversed $563,000 made in 2007 to the current financial year income statement, being inventories previously written down but sold off during the financial year. The reversal is included in other income.

8. NON-CURRENT ASSETS CLASSIFIED AS HELD-FOR-SALE

On the basis that non-current assets are recovered principally through a sale transaction rather than through continuing use, four leasehold properties classified under leasehold land and buildings in property, plant and equipment had been reclassified as non-current assets held-for-sale (Note 10).

	Group		Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Reclassified from property, plant and equipment	13,483	13,483	-	-
Disposal of assets	(13,483)	-	-	-
	-	13,483	-	-

In 2007, non-current assets classified as held-for-sale with carrying amount of $8,264,000 was under mortgage with banks. (Note 16)

9. GOODWILL

	Company	
	2008	2007
	$'000	$'000
Goodwill arising from acquisition of subsidiary	2,237	-

10. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land and buildings $'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							
At 1 July 2006	25,637	701	1,920	328	11,695	4,440	44,721
Additions	6,529	31	121	21	1,136	432	8,270
Disposal/Written off	-	-	(10)	(2)	(130)	(424)	(566)
Reclassified to assets	-	-	-	-	-	-	-
held-for-sale	(15,444)	-	-	-	-	-	(15,444)
At 1 July 2007	16,722	732	2,031	347	12,701	4,448	36,981
Property, plant and equipment							
of subsidiary acquired	235	-	24	17	1,129	8	1,413
Additions	1,599	11	123	213	1,124	980	4,050
Disposal/Written off	(259)	-	-	-	(474)	(170)	(903)
At 30 June 2008	18,297	743	2,178	577	14,480	5,266	41,541

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Leasehold land and buildings $'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
Accumulated depreciation							
At 1 July 2006	4,529	427	1,164	231	6,818	1,892	15,061
Depreciation charge	1,105	82	198	33	1,212	614	3,244
Disposal/Written off	-	-	(10)	(2)	(130)	(86)	(228)
Reclassified to assets held-for-sale	(1,961)	-	-	-	-	-	(1,961)
At 1 July 2007	3,673	509	1,352	262	7,900	2,420	16,116
Depreciation charge	1,682	83	230	42	1,252	741	4,030
Disposal/Written off	(150)	-	-	-	(278)	(170)	(598)
At 30 June 2008	5,205	592	1,582	304	8,874	2,991	19,548
Carrying amount							
At 30 June 2008	13,092	151	596	273	5,606	2,275	21,993
At 30 June 2007	13,049	223	679	85	4,801	2,028	20,865

COMPANY	Motor vehicles, truck and cranes $'000
Cost	
At 1 July 2006, 1 July 2007 and 30 June 2008	338
Accumulated depreciation	
At 1 July 2006	-
Depreciation charge	40
At 1 July 2007	40
Depreciation charge	68
At 30 June 2008	108
Carrying amount	
At 30 June 2008	230
At 30 June 2007	298

As at the balance sheet date, the Group and the Company had plant and equipment with net carrying value of approximately $2,145,000 and $230,000 (2007: $354,000 and $298,000), respectively acquired under hire purchase contracts.

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Particulars of the properties held by the Group as at 30 June 2008 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
12 Gul Road Singapore 629343	Yard-cum-factory with land area of 32,986 square metres	Lease of 11 years ending 07 August 2018
14 Gul Road Singapore 629344	Yard with land area of 21,089 square metres	Lease of 30 years ending 15 January 2010
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

Leasehold land and buildings with carrying amount of about $8,356,000 (2007: leasehold land and buildings $8,986,000 and non-current assets classified as held-for-sale of $8,264,000) are under mortgage with banks (Note 16).

In 2007, the Company's wholly-owned subsidiaries, Union Steel Pte. Ltd. and YLS Steel Pte Ltd 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 leasehold properties with carrying amount of $13,483,000 for a total consideration of about $36,800,000 owned by them at 119 Neythal Road, Singapore 628605, 31 Pioneer Road North, Singapore 628472 and 33 Pioneer Road North, Singapore 628474, 8 Tuas View Square Singapore 637574 and 30 Tuas South Avenue 8, Singapore 637653. Accordingly, the sold properties had been presented separately on the balance sheet as non-current assets held-for-sale. The sale was completed during the financial year. (Note 18)

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Particulars of the four leasehold properties under sale and leaseback arrangement: -

Location	Description	Tenure
119 Neythal Road Singapore 628605	Land area of 9,015 square metres Leased to third parties	Lease of 60 years ending 30 June 2039
31 / 33 Pioneer Road North Singapore 628472	Office premises, factory and warehouse with land area of 7,739 square metres	Lease of 30 years ending 30 April 2023
30 Tuas South Avenue 8 Singapore 637653	Factory with land area of 8,305 square metres Partially sub-leased to third parties	Lease of 30 years ending 31 August 2028
8 Tuas View Square Singapore 637574	Land area of 4,497 square metres Leased to third parties	Lease of 60 years ending 29 October 2056

11. INVESTMENT IN SUBSIDIARIES

	Company	
	2008 $'000	2007 $'000
Unquoted equity shares, at cost	17,506	16,506

Name of subsidiaries	Principal activities	Country of incorporation/ place of business	Percentage of equity held		Cost of investment	
			2008 %	2007 %	2008 $'000	2007 $'000
Direct						
Union Steel Pte. Ltd.	Recycling of non-ferrous metal and stainless steel	Singapore	100	100	4,093	4,093
YLS Steel Pte Ltd	Recycling and trading of scrap metals, trading of steel products, waste collection and management, car scrapping services and rental of steel plates	Singapore	100	100	12,105	12,105
Yew Lee Seng Metal Pte Ltd	Demolition of buildings and trading of ferrous and non-ferrous scrap metals	Singapore	100	100	308	308
Lim Asia Steel Pte Ltd	Recycling of all kinds of scrap metal and materials	Singapore	65	-	1,000	-

11. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation/ place of business	Percentage of equity held		Cost of investment	
			2008 %	2007 %	2008 $'000	2007 $'000
Indirect						
Union Aluminium Pte. Ltd. (Subsidiary of Union Steel Pte. Ltd.)	Dormant	Singapore	100	55	-	-
					17,506	16,506

The above subsidiaries are Audited by LTC LLP

On 29 February 2008, the Company acquired 65% of the issued share capital of Lim Asia Steel Pte Ltd for a cash consideration of $1,000,000.

Fair value of identifiable net liabilities at the date of acquisition amounted to $1,205,000 resulting in goodwill on consolidation of $2,237,000 (Note B of Consolidated Cash Flow Statement). The goodwill was attributable to the business synergies expected to arise after the acquisition.

The acquired subsidiary contributed of revenue of $7,362,000 and net profit before income tax of $161,000 to the Group from the period from 1 March 2008 to 30 June 2008. The subsidiary's assets and liabilities at 30 June 2008 were $2,854,000 and $3,997,000 respectively. If the acquisition had occurred on 1 July 2007, Group revenue would have been $310,303,000 and net profit for the year would have been $24,541,000.

12. GOLF CLUB MEMBERSHIP

	Group and Company	
	2008 $'000	2007 $'000
At cost	159	159
Market value	224	225

13. FINANCIAL ASSETS, AVAILABLE-FOR-SALE

	Group and Company	
	2008 $'000	2007 $'000
At fair value:-		
Quoted equity shares - Indonesia	6,728	-

The above are denominated in Indonesian Rupiah.

14. TRADE PAYABLES

	Group 2008 $'000	Group 2007 $'000	Company 2008 $'000	Company 2007 $'000
Outside parties	15,423	14,759	42	94

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

	Group 2008 $'000	Group 2007 $'000	Company 2008 $'000	Company 2007 $'000
Singapore Dollar	15,063	6,105	42	94
Euro	46	4	-	-
United States Dollar	305	8,523	-	-
Malaysian Ringgit	9	127	-	-
	15,423	14,759	42	94

The average credit period taken to settle the trade payables is about 20 days (2007: 18 days).

15. OTHER PAYABLES

	Group 2008 $'000	Group 2007 $'000	Company 2008 $'000	Company 2007 $'000
Accruals for operating expenses	4,835	1,676	165	112
Accruals for directors' fees	108	105	108	105
Payable for plant and equipment	-	1,233	-	-
Others	411	634	170	311
Amount due to directors	53	-	-	-
	5,407	3,648	443	528

The amount due to directors are unsecured, interest-free and repayable on demand.

Other payables are all denominated in Singapore Dollar.

16. BANK LOANS AND BILLS PAYABLE

	Group 2008 $'000	Group 2007 $'000
Bank loan I	3,373	4,253
Bank loan II	-	2,134
Bank loan III	1,657	1,889
Bank loan IV	-	1,083
Short-term bank loans	3,232	9,623
Bills payable to banks	42,779	31,629
	51,041	50,611
Current portion	(47,169)	(42,972)
Non-current portion	3,872	7,639

16. BANK LOANS AND BILLS PAYABLE (CONTINUED)

(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

The loan of $3,241,596 commenced in 2002, was repayable over 20 years by monthly instalment of $20,508. It bore 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. The loan was fully repaid during the financial year.

(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 was pegged at 2.25% below the Prime Lending Rate for the third year and thereafter 4% per annum which was pegged at 1.25% below the Prime Lending Rate.

(iv) Bank loan IV

The bank loan of $2,500,000 commenced in 2004, was repayable by 59 equal monthly instalments of $41,666 and a final instalment of $41,706. It bore 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 loan was fully repaid during the financial year.

The long-term bank loans I to IV are secured by leasehold land and buildings as disclosed in Note 10.

In 2007, the long term bank loans I to IV were secured by leasehold land and buildings and non-current assets classified as held-for-sale with carrying amounts of $8,986,000 (Note10) and 8,264,000 (Note 8), respectively.

Short term bank loans and bills payable

Short term bank loans and bills payable granted to the Group are secured by the corporate guarantee given by the Company.

17. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

	GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Minimum lease payments payable:-				
Within one year	1,251	192	1,188	179
Within two to five years	214	150	189	138
	1,465	342	1,377	317
Finance charges allocated to future periods	(88)	(25)	-	-
	1,377	317	1,377	317
Less: Repayable within one year included under current liabilities			(1,188)	(179)
Repayable after one year			189	138

	COMPANY			
	Minimum lease payments		Present value of minimum lease payments	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Minimum lease payments payable:-				
Within one year	102	102	94	94
Within two to five years	42	145	39	134
	144	247	133	228
Finance charges allocated to future periods	(11)	(19)	-	-
	133	228	133	228
Less: Repayable within one year included under current liabilities			(94)	(94)
Repayable after one year			39	134

It is the Group's policy to lease certain of its property, plant and equipment under hire purchase. The effective interest rates of interest range from 3.8% to 4.8% (2007: 2.4% to 5.4%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. All lease obligations are denominated in Singapore Dollar. The obligations under hire purchases are secured by the lessor's charge over the leased assets and corporate guarantees by the Company. The fair value of the lease obligations approximates their carrying amounts.

18. DEFERRED GAIN ON SALE OF PROPERTIES

Deferred gain on sale of properties amounting to about $11,234,000 arose from sale and leaseback of the Group's leasehold land and buildings known as 119 Neythal road, 31 / 33 Pioneer Road North, 30 Tuas South Avenue 8 and 8 Tuas view Square during the financial year. The deferred gain is credited to income statement over 6 years.

19. DEFERRED INCOME TAX LIABILITIES

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

	Group	
	2008	2007
	$'000	$'000
Beginning of financial year	943	602
(Credit) / charge to income statement (Note 26)	(48)	341
End of financial year	895	943

20. SHARE CAPITAL

	Group and Company	
	2008	2007
	$'000	$'000
Issued and fully paid :-		
347,105,250 ordinary shares	29,601	29,601
69,000 warrants converted to shares	11	-
347,174,250 ordinary shares	29,612	29,601

During the financial year, 69,000 units of warrants were converted into 69,000 ordinary shares for a total consideration of $11,000 for working capital purposes.

The holders of ordinary shares are entitled to receive dividend as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

21. CAPITAL RESERVES

	Group and Company	
	2008	2007
	$'000	$'000
69,352,050 Warrants at S$0.03	2,080	-

During the financial year, the Company issued and allotted 69,421,050 warrants on the basis of one warrant for every five existing ordinary shares.

During the financial year, the total number of shares issued upon the exercise of warrants is 69,000 ordinary shares.

As at 30 June 2008, the company has 69,352,050 outstanding warrants which carry the right to subscribe for one ordinary share of the Company with the exercise price of $0.12 per ordinary share and with exercise dates up to 14 April 2011.

22. REVENUE

	Group	
	2008	2007
	$'000	$'000
Sale of goods	296,932	335,253
Rental income	3,249	1,466
Service income	2,500	1,142
	302,681	337,861

23. OTHER INCOME

	Group 2008 $'000	Group 2007 $'000
Foreign exchange gain	1,970	802
Bad trade receivables recovered	-	3
Gain on disposal of property, plant and equipment	10,669	101
Rental income	5,949	3,403
Interest income	383	209
Reversal of allowance for impairment of inventories no longer required	563	-
Sundry income	1,008	704
	20,542	5,222

24. FINANCE EXPENSES

	Group 2008 $'000	Group 2007 $'000
Bank loans interest	619	535
Bank overdrafts interest	41	20
Hire purchase interest	28	56
Trust receipts interest	1,928	2,156
	2,616	2,767

25. PROFIT BEFORE INCOME TAX

	Group 2008 $'000	Group 2007 $'000
This is determined after charging / (crediting) :-		
Allowance for doubtful trade receivables	433	424
Changes in fair value of non-hedging currency deriative financial instruments	-	(335)
Depreciation of property, plant and equipment	4,030	3,244
Directors' fees	114	105
Directors' emoluments		
- remunerations	4,403	1,779
- benefit-in-kinds	216	246

There is no non-audit fee paid to the independent auditors of the Company (2007: NIL).

26. INCOME TAX EXPENSE

	Group 2008 $'000	Group 2007 $'000
Current income tax		
- Current year	4,421	1,561
- Overprovision in prior year	(47)	-
Deferred income tax		
- Current year	(48)	291
- Underprovision in prior year	-	50
	4,326	1,902

The income tax expense varied from the amount of income tax expenses determined by applying the Singapore of income tax rate of 18% (2007: 18%) to profit before income tax as a result of the following differences:-

	2008	2007
Profit before income tax	29,449	9,950
Tax expense statutory rate	5,301	1,791
Tax effect on (non-taxable) / non-deductible items	(956)	64
Tax saving on partial exempt income	(82)	(110)
Overprovision of current income tax in prior year	(47)	-
Underprovision of deferred income tax in prior year	-	50
Others	110	107
	4,326	1,902

As at financial year end, the Group has unutilised tax losses and donations of approximately $1,000,000 and $166,000 respectively (2007: NIL) which can be carried forward to offset future year taxable profit subject to the agreement of Comptroller of income tax.

Deferred tax asset is not recognised in view of uncertainty of its recovery.

27. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group 2008 $'000	Group 2007 $'000
Net profit attributable to equity holders of the Company ($'000)	25,123	8,048
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	347,122	347,105
Basic earnings per share (cents)	7.24	2.32
Weighted average number of ordinary shares outstanding for diluted earnings per share ('000)	372,673	347,105
Diluted earnings per share (cents)	6.74	2.32

28. DIVIDENDS

	Group	
	2008	2007
	$'000	$'000
Interim dividends of $0.01 (2007: NIL) per ordinary share paid	3,471	-

In respect of the current year, the directors propose that a final dividend of 3 cents per share will be paid to shareholders on 17 November 2008. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The proposed dividend is payable to all shareholders on the Register of Members on 17 November 2008. The total estimated dividend to be paid $10,415,000.

29. EMPLOYEE BENEFIT EXPENSE

	Group		Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Wages, salaries and bonus	10,248	6,499	1,147	1,215
Employers' contributon to Central Provident fund	451	361	44	44
Other staff related expenses	506	452	224	246
	11,205	7,312	1,415	1,505

30. OPERATING LEASE COMMITMENT

As at balance sheet date, the Group had non-cancellable operating leases commitments in respect of the land, yard, factory, warehouse and office premises as follows: -

	Group	
	2008	2007
	$'000	$'000
Payable: -		
Not later than one year	2,003	1,657
Later than one year and not later than five years	4,479	4,154
Later than five years	9,849	9,526
	16,331	15,337

The rental expenses for the financial year amounted to $1,855,000 (2007: $1,458,000). Leases of land, yard, factory, warehouse and office premises have varying terms escalation clauses and renewal rights.

31. CAPITAL COMMITMENTS

	Group	
	2008	2007
	$'000	$'000
Amount contracted for but not provided for in the financial statements		
- Property under development	10,000	-

32. COMMITMENTS

As at the balance sheet date, the Group has commitments as follows:

	Group 2008 $'000	Group 2007 $'000
Bankers' guarantee	4,705	952

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

33. SEGMENT INFORMATION

33.1 Primary reporting format - business segments

(i) The dominant source and nature of the Group's risk and returns are based on business segments. The Group is primarily engaged in three business segments:

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 and car scrapping business.

(ii) 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.

(iii) Segment assets and liabilities

A significant portion of the Group's assets particularly property, plant and equipment and liabilities reside in the three subsidiaries, YLS Steel Pte Ltd, Union Steel Pte Ltd and Yew Lee Seng Metal Pte Ltd and each of those entities deal with more than one business segments of the entire recycling, trading and other activities. Accordingly, it is not meaningful to allocate assets and liabilities to the various business segments.

	Recycling		Trading		Others		Total	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Revenue								
Segment revenue	220,835	284,819	76,097	50,434	5,749	2,608	302,681	337,861
Segment result	6,515	9,390	8,380	2,496	4,052	(310)	18,947	11,576
Other income							20,542	5,222
Unallocated corporate expenses							(7,424)	(4,081)
Profit from operations							32,065	12,717
Finance expenses							(2,616)	(2,767)
Profit before income tax							29,449	9,950
Income tax expense							(4,326)	(1,902)
Net profit after income tax							25,123	8,048

33. SEGMENT INFORMATION (CONTINUED)

33.2 Geographical segments

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

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

	Total	
	2008	2007
	$'000	$'000
China	63,879	105,724
Singapore	115,380	74,171
Bangladesh	4,928	7,931
India	22,489	31,119
Indonesia	22,985	16,952
Malaysia	18,199	22,261
Japan	2,419	882
Taiwan	879	2,854
Sri Lanka	206	8
Germany	180	4,429
Others *	51,137	71,530
	302,681	337,861

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

34. SUBSEQUENT EVENT

The Group had entered into an option for the sale of the Group's leasehold property known as 30 Jalan Samulun Singapore 629129 for a total consideration of $6,500,000.

35. SIGNIFICANT TRANSACTION

As reported in the previous financial year, the Company had entered into a sales and purchase agreement with Messrs Lim Eng Koo and Seh Yin Yoke for the acquisition of all the issued and paid share capital of the J P Nelson Group for a purchase consideration of $45,500,000 During the financial year, the deal was terminated as the acquisition did not materialize. The cost incurred in the proposed agreement of about $360,000 was charged to the income statement.

36. FINANCIAL RISK AND MANAGEMENT

Financial risk factors

The Group's activities expose it to market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance. The Group uses financial instruments such as currency forward to hedge certain financial risk exposures.

The Board of Directors is responsible for setting the objective and underlying principles of financial risk management for the Group. The Financial Risk Management Committee ("FRMC") then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, exposure limits and hedging strategies, in accordance with the objective and underlying principles approved by the Board of Directors.

(a) Market risk

(i) Currency risk

Entities of the Group regularly transact in currencies other than their respective functional currencies such as the Singapore Dollar.

Currency risk arises when transactions are denominated in foreign currencies. To manage the currency risk, individual Group entities enter into currency forwards contracts.

At 30 June 2008	SGD $'000	USD $'000	EUR $'000	MYR $'000	IDR $'000	Total $'000
Financial assets						
Cash and bank balances	13,374	15,401	-	-	-	28,775
Financial assets available-for-sale	-	-	-	-	6,728	6,728
Trade and other receivables	18,279	9,586	-	-	-	27,865
	31,653	24,987	-	-	6,728	63,368
Financial liabilities						
Borrowings	54,045	-	-	-	-	54,045
Trade and other payables	20,470	305	46	9	-	20,830
	74,515	305	46	9	-	74,875
Net financial (liabilities) / assets	(42,862)	24,682	(46)	(9)	6,728	(11,507)

At 30 June 2007	SGD $'000	USD $'000	EUR $'000	MYR $'000	IDR $'000	Total $'000
Financial assets						
Cash and cash equivalents	17,227	2,936	-	-	-	20,163
Trade and other receivables	14,122	7,879	-	-	-	22,001
	31,349	10,815	-	-	-	42,164
Financial liabilities						
Borrowings	50,928	-	-	-	-	50,928
Trade and other payables	9,753	8,523	4	127	-	18,407
	60,681	8,523	4	127	-	69,335
Net financial (liabilities) / assets	(29,332)	2,292	(4)	(127)	-	(27,171)

36. FINANCIAL RISK AND MANAGEMNT (CONTINUED)

(a) Market risk (continued)

(i) Currency risk (continued)

If the USD, and IDR change against the SGD by 5%, with all other variables including tax rate being held constant, the effects arising from the net financial assets / liabilities portion will be as follows: -

	2008 Increase / (Decrease)		2007 Increase / (Decrease)	
	Profit after tax $'000	Equity $'000	Profit after tax $'000	Equity $'000
USD against SGD				
- Strengthened	1,012	1,012	94	94
- Weakened	(1,012)	(1,012)	(94)	(94)
IDR against SGD				
- Strengthened	-	336	-	-
- Weakened	-	(336)	-	-

(ii) Price risk

The Group is exposed to equity securities price risk because of the investments held by the Group which are classified on the consolidated balance sheet as financial assets available-for- sale. These securities are listed in Indonesia. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

	2008	2007
	Increase / (Decrease) Equity	
	$'000	$'000
Group and Company		
Listed in Indonesia		
- Increased by 5%	337	-
- Decreased by 5%	(335)	-

36. FINANCIAL RISK AND MANAGEMNT (CONTINUED)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group is exposed to interest rate risk through the impact of interest rates changes on interest-bearing assets and liabilities. Interest-bearing financial assets and liabilities are mainly pledged bank borrowings, obligations under hire purchase contract and fixed deposits. These interest-bearing assets and liabilities are long and short term, hence 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.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the management based on ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored at the entity level by the respective management. The individual trade receivables of the Group does not represents more than 5% of the total trade receivables.

The credit risk for trade receivables based on the information provided to management is as follows:

	Group	
	2008	2007
	$'000	$'000
By Geographical areas		
Singapore	16,373	12,936
People's Republic of China	2,179	2,553
India	1,812	3,460
Indonesia	358	552
Vietnam	1,186	-
Other countries	4,734	1,809
	26,642	21,310

(i) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group. The Group's trade receivables not past due include receivables amounting to $23,590,000 (2007: $18,277,000) that would have been past due or impaired if the terms were not re-negotiated during the financial year.

36. FINANCIAL RISK AND MANAGEMNT (CONTINUED)

(b) Credit risk (continued)

(ii) Financial assets that are past due and / or impaired

There is no other class' of financial assets that is past due and / or impaired except for trade receivables.

The age analysis of trade receivables past due but not impaired is as follows:

	Group	
	2008	2007
	$'000	$'000
Past due 0 to 3 months	960	7,311
Past due 4 to 6 months	335	946
Past due exceeded 6 months	1,780	1,019
	3,075	9,276

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	Group	
	2008	2007
	$'000	$'000
Gross amount	539	629
Less: Allowance for impairment	(539)	(629)
	-	-
Beginning of financial year	629	205
Allowance made	433	424
Allowance utilised	(523)	-
End of financial year	539	629

(c) Liquidity risk

The table below analyses the maturity profile of the Group's financial liabilities based contractual undiscounted cash flows.

	Less than 1 year	Between 1 to 2 years	Between 2 to 5 years	Over 5 years
Group				
At 30 June 2008				
Trade and other payables	20,830	-	-	-
Borrowings	49,984	1,348	2,449	264
At 30 June 2007				
Trade and other payables	18,407	-	-	-
Borrowings	43,151	1,297	3,476	3,004

The Group manages the liquidity risk by maintaining sufficient cash to enable it to meet its normal operating commitments, having an adequate amount of committed credit facilities and the ability to close market positions at a short notice.

36. FINANCIAL RISK AND MANAGEMNT (CONTINUED)

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on a gearing ratio. The Group is also required by the banks to maintain a gearing ratio of not exceeding 150% (2007: 300%). The Group's strategies, which were unchanged from 2007, are to maintain gearing ratios within 43% to 60%.

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as equity plus net debt.

	Group	
	2008 $'000	2007 $'000
Net debt	44,473	49,172
Total equity	68,313	47,204
Total capital	112,786	96,376
Gearing ratio	39%	51%

(e) Fair value of financial assets and financial liabilities

The carrying values of current financial assets and financial liabilities, including cash, trade and other receivables, obligations under hire purchase contracts, borrowings and trade and other payables, approximate their fair values due to the short-term maturity of these instruments. The fair values of the other classes of financial assets and liabilities are disclosed in the respective note to the financial statements.

The fair values of the other classes of financial assets and liabilities are disclosed in the respective note to the financial statements.

37. RECLASSIFICATION AND COMPARATIVE FIGURES

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements for better presentation of the Group's accruals, advances from customers, and rental expenses.

As a result, the following line items have been amended on the face of the balance sheet, income statement and related notes to the financial statements. Comparatives figures have been adjusted to conform with the current year's presentation as follows:

	GROUP		COMPANY	
	As previously reported 2007 $'000	After reclassification 2007 $'000	As previously reported 2007 $'000	After reclassification 2007 $'000
Balance sheets				
Trade payables	16,654	14,759	238	94
Other payables	1,753	3,648	384	528
	18,407	18,407	622	622
Income statement				
Cost of sales	316,782	316,049		
Other operating expenses	1,245	1,978		
	318,027	318,027		

Issued and fully paid	:	SGD29,723,059
Number of shares	:	348,117,250 Ordinary shares
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share

Distribution of shareholdings as at 18 September 2008

Size of shareholdings	No. of shareholders	%	No. of Shares	%
1 - 999	70	3.92	2,610	0.00
1,000 - 10,000	716	40.07	4,982,010	1.43
10,001 - 1,000,000	984	55.06	69,933,330	20.09
1,000,001 and above	17	0.95	273,199,300	78.48
Total	1,787	100.00	348,117,250	100.00

Twenty largest shareholders as at 18 September 2008

No.	Name of shareholders	No. of shares	%
1	Ang Yu Seng	114,373,674	32.86
2	Ang Yew Lai	47,171,050	13.55
3	Hong Leong Finance Nominees Pte Ltd	34,875,000	10.02
4	Ang Yew Chye	23,971,526	6.89
5	Super Coffeemix Manufacturing Ltd	18,477,000	5.31
6	UOB Kay Hian Pte Ltd	6,141,000	1.76
7	Citibank Nominees Singapore Pte Ltd	5,021,000	1.44
8	Teo Kee Bock	4,506,000	1.29
9	Kim Eng Securities Pte. Ltd.	4,137,000	1.19
10	Lian Bee Metal Pte Ltd	3,981,000	1.14
11	United Overseas Bank Nominees Pte Ltd	1,893,010	0.54
12	Seah Kiok Leng	1,865,000	0.54
13	Ng Chit Tong Peter	1,624,000	0.47
14	CIMB-GK Securities Pte. Ltd.	1,460,020	0.42
15	OCBC Securities Private Ltd	1,403,020	0.40
16	Chong Hock Ping	1,150,000	0.33
17	Phua Hua Seng	1,150,000	0.33
18	Qiu Qianliang	1,000,000	0.29
19	Laio Chi-Shun @ Archie Laio	990,000	0.28
20	Lau Eng Tiong	859,000	0.25
	Total:	276,048,300	79.30

Based on the information available to the Company as at 18 September 2008, approximately 41.13% of the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

Substantial Shareholders

	Direct Interest	%	Deemed Interest	%
Ang Yu Seng	114,373,674	32.86		
Ang Yew Lai	47,171,050	13.55		
Ang Yew Chye	23,971,526	6.89		
SupperCoffeemix Manufacturing Ltd	18,477,000	5.31		
Goi Seng Hui (1)	-	-	46,677,000	13.41

(1) Goi Seng Hui is deemed to be interested in 18,477,000 shares held by Super Coffeemix Manufacturing Ltd and 28,200,000 shares are held in the name of Hong Leong Finance Nominees Pte Ltd.

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 Thursday, 23 October 2008 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 2008 and the Reports of the Directors and Auditors and the Statement by Directors thereon.
[Resolution 1]

2. To declare an exempt (1-tier) final dividend of S$0.03 per ordinary share for the financial year ended 30 June 2008.
[Resolution 2]

3. To approve the payment of Directors' Fees of $105,000 for the financial year ended 30 June 2008. (2007: $111,400)
[Resolution 3]

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

   (i) Mr Ang Yew Chye **[Resolution 4]**
   (ii) Mr Chang Yeh Hong **[Resolution 5]**

   Mr Chang Yeh Hong will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

5. To re-appoint Messrs LTC LLP as the Auditors of the Company and to authorise the Directors to fix their remuneration.
[Resolution 6]

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

AS SPECIAL BUSINESS

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

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

   "That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 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 7]

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

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

   [Resolution 8]

By Order of The Board

HELEN CAMPOS
Company Secretary

Singapore
8 October 2008

Notes:

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

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

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

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

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

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

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

ii) The Ordinary Resolution proposed in item (8) above, if passed, will empower the Directors of the Company, from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue shares in the share capital of the Company of up to a number not exceeding in total fifteen per centum (15%) of the issued share capital of the Company for the time being pursuant to the exercise of the options under the Scheme.

NOTICE OF BOOKS CLOSURE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of UNION STEEL HOLDINGS LIMITED (the "Company") will be closed at 5:00 pm on 4 November 2008 for the purpose of determining the shareholders' entitlements to the dividend to be proposed at the Annual General Meeting of the Company to be held on 23 October 2008.

Duly completed registrable transfers received by the Company's Registrar, B.A.C.S. Pte Ltd, 63 Cantonment Road Singapore 089758, up to the close of business at 5.00 p.m. on 3 November 2008 will be registered to determine shareholders' entitlements to the said dividend. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 3 November 2008 will be entitled to the proposed dividend.

The final dividend, if approved by shareholders, will be paid on 17 November 2008.

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_______________________________________ NRIC/Passport No: ____________________ 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 23 October 2008 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 2008 together with the Auditors' Report thereon.		
2	Declaration of an exempt (1-tier) final dividend of S$0.03 per ordinary share for the financial year ended 30 June 2008.		
3	Approval of Directors' Fees of $105,000 for the financial year ended 30 June 2008.		
4	Re-election of Mr Ang Yew Chye retiring pursuant to Article 91 of the Company's Articles of Association.		
5	Re-election of Mr Chang Yeh Hong retiring pursuant to Article 91 of the Company's Articles of Association.		
6	Re-appointment of Messrs LTC LLP as Auditors of the Company and authorisation of Directors to fix their remuneration.		
7	Authority to Directors to allot and issue new shares.		
8	Authority to grant options and issue shares under The UNION STEEL HOLDINGS Employee Share Option Scheme.		

Dated this ____________________ day of __________ 2008

Total number of Shares Held

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

* Delete accordingly

FOLD HERE FOR SEALING

PLEASE
AFFIX 26
CENTS
POSTAGE
STAMP HERE

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

FOLD HERE

Notes: -

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

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

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

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

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

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.