UNION STEEL HOLDINGS LIMITED

友联钢铁控股有限公司

ANNUAL REPORT 2009

Contents

Corporate Profile

Founded in 1984, Union Steel Holdings Limited ("Union Steel" or the Group) started operations as YLS Steel Pte Ltd which was involved in trading of ferrous scrap metal. Today, the Group consists of four subsidiary companies engaged in three core businesses which comprise; (i) recycling of ferrous and non-ferrous scrap metal; (ii) trading of steel products and non-ferrous metal products; and (iii) provision of services in waste collection and management, demolition works, rental of steel plates and car scrapping.

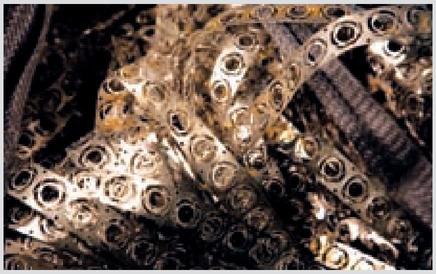
With over 25 years of experience, Union Steel has established itself as a leading player in the metals and scrap industry in Singapore. The Group operates one-stop supply centers for the collection and recycling of ferrous and non-ferrous scrap metals and trading of steel products and non ferrous metal products. The Group has received several awards including the "Enterprise 50 Award" in 2003 and 2004, "Fastest Growing 50 Certification in 2004, ranked among the top small and medium enterprises in the annual Singapore 500 Small Medium Enterprises in 2004 and Singapore 1000 – Sales Turnover Growth Excellence Award in 2009.

The Group delivers high product quality and reliable customer service to a global network that spans over a thousand suppliers and customers in countries across China, Japan, Korea, India, Sri Lanka, Pakistan, United Kingdom, Indonesia, Malaysia, Singapore and Middle Eastern countries. The Group continually seeks to grow its business by widening its global network of supply sources and customers and expanding its range of products and services. The Group further seeks potential acquisitions and joint venture opportunities for strategic expansion into metals-related businesses.

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

......your leading one-stop center for ferrous and non-ferrous scrap metals recycling and trading of steel and non-ferrous products to customers worldwide.......

Business Overview


Metal Recycling

The Group is a one-stop center for the recycling of ferrous and non-ferrous scrap metals. Our recycling operations primarily involve (i) collection and purchase of all types of scrap metals; (ii) processing of collected scrap metal where sorting, segregating, shearing among other processes are conducted to maximize scrap metal recovery; and (iii) packaging for efficient handling and quality control to meet customers' specifications. Our scrap processing is carried out in accordance with the guidelines set out by the Institute Of Scrap Recycling Industries, Washington, D.C.

We have established a wide network of domestic and overseas scrap metal supply sources like major metal brokers, non-ferrous metal producers, government entities, and companies with scrap generating operations from industries such as construction, manufacturing, engineering, and heavy industries. Our scrap metal collection capacity is enhanced by our waste collection and management services, demolition services to government agencies, property developers and construction companies. We also participate actively in government and private tenders where scrap metals from machineries and building materials are recovered at competitive cost while contributing to value regeneration in recycling of waste material.

We sell ferrous scrap such as steel and heavy melting scrap metals and non-ferrous scrap metals such as copper, aluminium, stainless steel, zinc and lead. Our customers include steel mills, foundries, international traders and metal brokers. With many years in this industry, we have established long term business relationships with these customers in countries spanning across the world.

The Group believes that it provides one of the most comprehensive product offerings of ferrous and non-ferrous scrap metals in Singapore.

Trading

The Group trades steel products which are used in the construction and engineering industries. We offer our customers a wide range of steel products such as reinforcement steel bars, H-beams, I-beams, pipes, steel plates, sheet piles and wire rods. The quality of our steel products adhered to the guidelines set by the Singapore Standard.

Leveraging on our procurement and supply network, we operate a stockiest center for stainless steel products supplying to customers in Singapore and the neighboring countries.

We are committed to providing a high level of customer service by having ready stocks, prompt delivery and quality assurance.

Other Business

In Other Business, the Group is involved in 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. As a registered contractor with Building and Construction Authority under CR03, Demolition, we demolish buildings and dismantle machinery and other structures containing scrap metals. We are also engaged 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 both ferrous and non-ferrous metals at a competitive cost.

In addition to our other businesses, we also derive rental income from leasing our premises to third parties.

Corporate Structure

YLS Steel Pte Ltd

YLS Steel Pte Ltd is a wholly-owned subsidiary of Union Steel Holdings Limited. Incorporated in 1984, YLS Steel Pte Ltd is principally engaged in the collection, recycling and trading of ferrous scrap and the trading of steel products such as steel reinforcement bars, steel plates, H beams, I beams, pipes, sheet piles and wire rods. It also has an established steel plate rental business and provides waste collection and management services. YLS Steel Pte Ltd was granted ISO 9001 accreditation in 2003.

YLS Steel Pte Ltd was presented the Enterprise 50 Award by Accenture and Business Times in 2004. It was also ranked among the top small and medium enterprises in the annual Singapore 500 Small and Medium Enterprises awards by DP Information Networks Pte Ltd in 2004.

With 25 years of experience in the industry, YLS Steel Pte Ltd is currently one of the largest ferrous scrap metal recycling companies in Singapore.

Union Steel Pte Ltd

Union Steel Pte Ltd, incorporated in 1991, is a wholly-owned subsidiary of Union Steel Holdings Limited. It is primarily engaged in the collection, recycling and trading of non ferrous scrap metals, electronic wastes and the trading of stainless steel and aluminum products.

An ISO 9001 and ISO 14001 accredited company; Union Steel Pte Ltd has received several awards. In 2003 and 2004 it was awarded with the Enterprise 50 Award by Accenture and Business Times. It was also ranked as one of the top small and medium enterprises in the annual Singapore 500 Small Medium Enterprise Award in 2004. More recently, it was awarded Singapore 1000 – Sales Turnover Growth Excellence Award by DP Information Group in 2009.

Union Steel Pte Ltd has established a global network of supply sources and customers in major markets.

Yew Lee Seng Metal Pte Ltd

Yew Lee Seng Metal Pte Ltd was incorporated in 1988 and is a wholly-owned subsidiary of Union Steel Holdings Limited. Yew Lee Seng Metal Pte Ltd is a registered contractor with the Building and Construction Authority (BCA) under CR03, Demolition. It specializes in demolition of institutional, commercial, industrial, residential buildings and service structure of various types and sizes. Its range of services includes entire demolition, plant dismantlement and en-bloc deconstruction of public and private projects. Clients include government entities such as Housing and Development Board, Jurong Town Corporation, Defence Science and Technology Agency, Land Transport Authority, Ministry of Education and Singapore Land Authority as well as private building developers and other major construction enterprises.

Yew Lee Seng Metal Pte Ltd also operates complementary businesses of waste management services and scrap metal trading.

Lim Asia Steel Pte Ltd

Lim Asia Steel Pte Ltd is a 65% owned subsidiary of Union Steel Holdings Limited. It is principally engaged in the collection, recycling and trading of ferrous scrap metals and operates a LTA authorized scrap car center.

Lim Asia Steel Pte Ltd was acquired on 29 February 2008.

Chairman's Statement

"Going forward, we will focus our efforts on our core businesses of metal recycling and steel and non-ferrous products trading, fully leveraging on our strengths of experience, in-depth knowledge of the scrap and steel markets and a well entrenched network of supply sources and customers."

Dear Shareholders,

On behalf of the Board, I am pleased to present our Annual Report for the financial year ended 30 June 2009.

Financial year 2009 was a difficult period for the Group as all major economies were in recession. The global financial credit crisis and the prospect of a deep and prolonged global depression triggered a simultaneous collapse in commodity prices and financial markets in October 2008. World steel and metal prices suffered an unprecedented plunge on the back of massive de-stocking while stock markets' equity values tumbled to multi-year lows. Consequently, our financial performance was negatively impacted as we prudently make financial adjustments to our investments and inventories in line with the steep drop in market value.

One year has passed since the turmoil started. The credit crisis has eased to some extent on the back of governments' stimulus packages while re-stocking activities have provided impetus for improved demand and prices. We hope that the worst is over as we enter into a new financial year.

Financial Review

The Group recorded an increase of 4.9% in revenue to $317.5 million compared to the previous year in spite of the precipitous fall in metal prices this year. The increase in revenue was due to higher volume achieved in our recycling of non-ferrous scrap metals arising from stronger demand in China and the consolidation of subsidiary Lim Asia Steel Pte Ltd's ["Lim Asia Steel"] full year results. We acquired a 65% stake in Lim Asia Steel on 29 February 2008.

Gross profit however fell 61% to $12.2 million due to lower margin contribution from recycling of scrap metals and trading of steel products arising from lower average selling prices. Higher trading volume of non-ferrous metals this year increased our distribution costs by 81% to $5.7 million but we have reduced our administration cost by 30% to $9.3 million. We further reduced our finance cost to $2.0 million, a 23% reduction by actively managing our cash flow and reducing inventories. Other operating expenses however rose significantly; as a prudent measure given the steep decline in market value, we wrote down $7.0 million in the fair value of our quoted share investment and $2.1 million in inventories. The Group also suffered a foreign exchange loss of $4.1 million due to the appreciation of the US dollar against the Singapore dollar. Other operating income decreased by 20.5% to $16.3 million. As a result of the above mentioned factors, the Group registered an after tax loss of $6.0 million.

The directors will not be recommending any dividend for financial year 2009.

Business Review

Metal Recycling contributed 79.4 % to our total revenue while Trading of steel products including stainless steel accounted for 18.7%. Other Businesses of waste collection and management, demolitions works, rental of steel plates and lease rental continued to grow steadily.

Metal Recycling remains a key contributor accounting for $252 million of our total revenue. The business environment for the recycling of scrap metals was marked by severe fluctuations in market demand and volatile prices as well as keen local competition. The outlook for the scrap metal recycling industry remains challenging in terms of price and competition. We will continue to adopt a cautious approach in the conduct of our scrap business and stay agile to respond to market and customers requirements.

The acquisition of Lim Asia Steel last year provided an additional ferrous scrap recycling center with its new

premises at Gul Road in Singapore. Taking advantage of the lower construction cost, we have started construction of four warehouse buildings which are expected to be completed by the end of 2009.

Trading volume of steel products including stainless steel remains healthy with sustained demand from the local construction industry. Trading revenue accounts for 18.7 % of total revenue or $59.4 million. The local construction industry will continue to benefit from the strong demand from public projects; the Building and Construction Authority (BCA) has forecasted construction demand of $22 billion to $27 billion annually for the next 3 years. The outlook in global demand for metals however is uncertain. Recovery in demand is expected to be sporadic and keen competition is anticipated amongst suppliers. These will continue to exert pressure on market prices and margins.

Our Other Businesses registered revenue of $6.1 million compared to $5.7 million in the previous year. We expect gradual growth of these revenue streams as we sustain our complementary services to our customers.

A challenging year ahead

We anticipate a challenging business and trading environment persisting into financial year 2010. Notwithstanding the seemingly improved consumer sentiment and a growing consensus that the worst is over, the global economic climate remains unpredictable due to uncertainties in underlying consumer demand and price volatility. We are of the view that any recovery in market demand would be tentative and gradual while market competition will remain intense.

Going forward, we will focus our efforts on our core businesses of metal recycling and steel and non-ferrous products trading, fully leveraging on our strengths of experience, in-depth knowledge of the scrap and steel markets and a well entrenched network of supply sources and customers. We will be devoting more resources to sustain our core business growth.

We will continue to press forward to further strengthen our operations and continue to have in place prudent measures to manage our businesses and to maintain our competitiveness. I believe that with these measures and initiatives that we are taking, Union Steel will become more resilient and better positioned to overcome challenges and take advantage of business growth opportunities when these arise.

We look forward to a better year in 2010.

Words Of Appreciation

On behalf of the Board, I would like to express our gratitude to all our stakeholders for their continuing support during this difficult period. I am grateful to our valued customers, suppliers, bankers and business partners for extending their full support and our management and staff for their commitment and understanding of all the prudent yet difficult decisions that we had to make. I am especially thankful to the Board of Directors for their counsel and guidance. And to you, our shareholders, I deeply appreciate your unwavering confidence in Union Steel.

Ang Yu Seng
Chairman and CEO

Board of Directors

Mr Ang Yu Seng
Chairman and Chief Executive Officer

Mr Ang Yu Seng is the co-founder of our Group. He was appointed as Executive Chairman and Chief Executive Officer on 12 August 2004. As the CEO, he is responsible for charting the Group's strategic directions and corporate developments and oversees the overall management of the companies in the Group. Mr Ang also manages the day-to-day operations of wholly-owned subsidiary YLS Steel Pte Ltd. Mr Ang has over 25 years of experience in the scrap metal recycling and steel trading businesses and has been instrumental to the growth of the Group.

Mr Ang Yew Lai
Executive Director

Mr Ang Yew Lai was appointed an Executive Director of our Group on 12 August 2004. Mr Ang oversees the Group's non ferrous metals businesses. He is responsible for the day-to-day management of our wholly-owned subsidiary Union Steel Pte Ltd which includes procurement, sales and marketing, recycling, trading, operations as well as the development of the Group's non ferrous metals consumer markets. Mr Ang has over 20 years of experience in the business of recycling scrap metals.

Mr Ang Yew Chye
Executive Director

Mr Ang Yew Chye is the co-founder of the Group and was appointed an Executive Director on 12 August 2004. Mr Ang is responsible for our Group's demolition businesses, waste collection and management services and oversees the operations in our ferrous scrap metal and steel product businesses. He also oversees the day-to-day management of Yew Lee Seng Metal Pte Ltd.

Mr Chang Yeh Hong
Independent Director

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

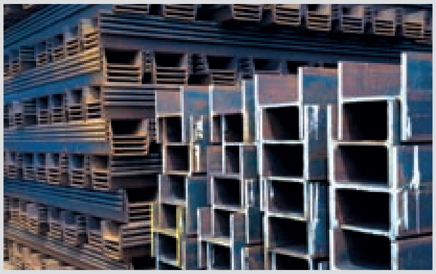
Mr Siau Kai Bing
Independent Director

Mr Siau Kai Bing was appointed an Independent Director of our Company on 28 June 2005. Mr Siau is currently the Financial Controller of a major architectural services company in Singapore. He has over 30 years of experience in accounting and audit and has held senior appointments in the finance industry including Chief Financial Officer of a public listed company. Mr Siau is a Certified Public Accountant and a Fellow of the Institute of Certified Public Accountants of Singapore. He is also an independent director and chairman of the audit and nominating committees of Advanced Holdings Limited.

Mr Chan Kok Poh
Independent Director

Mr Chan Kok Poh was appointed an Independent Director of our Company on 12 September 2008. Prior to this appointment, he was our non-Executive Director since 28 June 2005. Mr Chan is a member of the Singapore Institute of Directors and a Certified Public Accountant with the Institute of Certified Public Accountants of Singapore. He is the founder of Chan Kok Poh & Company, an audit firm.

Key Management



Mr Jack Tan
Chief Operating Officer

Mr. Jack Tan was appointed as COO in August 2006. He supervises the day-to-day operations in the Group's wholly-owned subsidiaries and ensures the smooth running of the yards, logistics, warehousing and lease of premises. Mr. Tan was instrumental in the ISO 9001 and ISO14001 accreditation granted to the subsidiary companies and he continues to oversee its enforcement and improvement programs. Prior to joining the Group in 1997, Mr. Tan was a Purchasing Executive at Indeco Engineering Pte Ltd where he supervised the day-to-day running of its purchasing department.

Ms Catherine Chang
Group Financial Controller

Ms Catherine Chang was appointed as Group Financial Controller in April 2008. She is responsible for the Group's finance management, accounting and treasury functions. Ms Chang has more than 10 years experience in finance and accounting in various industries and is a member of the Certified Public Accountants of Australia. Ms Chang graduated from the University of Tasmania, Australia with a Bachelor's Degree in Business and a Diploma in Accounting.

Ms Serene Soh
Sales & Marketing Manager

Ms Serene Soh is responsible for the sales and marketing of the Group's steel products such as steel reinforcement bars, universal beams, pipes, sheet piles and steel plates 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 the Group in 2000, she worked as an Operation and Administrative Supervisor in Legend Building Supplies (Pte) Ltd where she was in charge of coordinating the company's sales and purchase orders.

Ms Christine Qiu
Sales & Marketing Manager

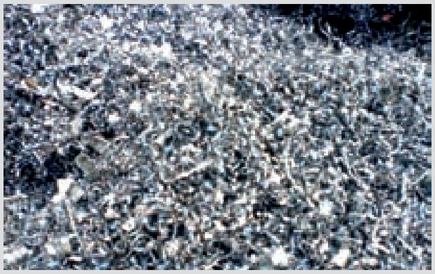
Ms Christine Qiu is responsible for the trading of non-ferrous scrap metals such as aluminium, copper, brass and stainless steel scrap. Prior to joining the Group in 1997, she worked as a ring dealer in the Shanghai representative office of the Agricultural Bank of China. Ms Qiu obtained her Bachelor's Degree in Engineering from Shanghai Institute of Mechanical Engineering and Bachelor's Degree in Economics from Shanghai Institute of Foreign Trade.

Ms Cindy Zhang
Sales & Marketing Manager

Ms Cindy Zhang is responsible for the local and export sales and trading of ferrous scrap metals such as HMS, Bushelling scrap, Turnings & Borings, Rerollable scrap and secondary materials. She manages the Group's supply sources and customers in countries such as Indonesia, India, Bangladesh, Pakistan, China, Malaysia and Singapore. Ms Zhang joined the Group in 2001. She graduated from Jilin University, PRC with a Bachelor of Arts.

Ms Wang Fang
Project Manager

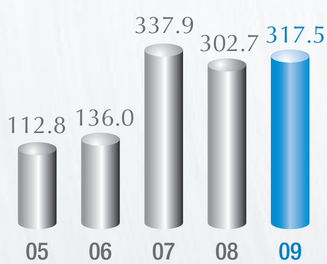
Ms Wang Fang is responsible for the Group's demolition business. She oversees tender bids, planning and preparation of cost estimates, contract administration and coordinates all demolition and project work schedules. She has over 15 years experience in the construction industry as a quantity surveyor. Ms Wang joined the Group in 2002. She graduated from Chongqing Civil Engineering Institute, PRC with a Degree in Construction Management Engineering.



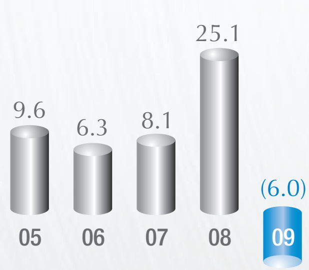
Financial Highlights

	FY 2005	FY 2006	FY 2007	FY 2008	**FY 2009**
Group Turnover (S$'million)	112.8	136.0	337.9	302.7	**317.5**
Group (LAT)/PAT (S$'million)	9.6	6.3	8.1	25.1	**(6.0)**
Group Gross Margin (%)	18.3	13.2	6.5	10.4	**3.8**
Group (LPS)/EPS (cents)	3.5	1.9	2.3	7.2	**(1.7)**
Group NTA (cents)	9.5	11.9	13.6	19.7	**15.7**

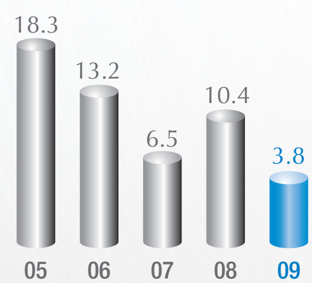
Group Turnover (S$'million)



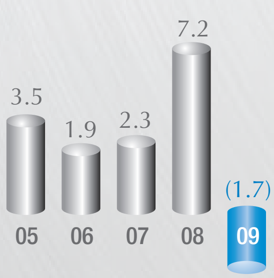
Group (LAT)/PAT (S$'million)



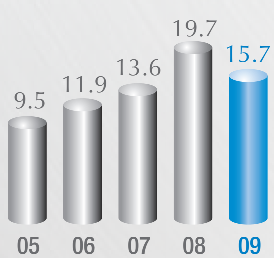
Group Gross Margin (%)



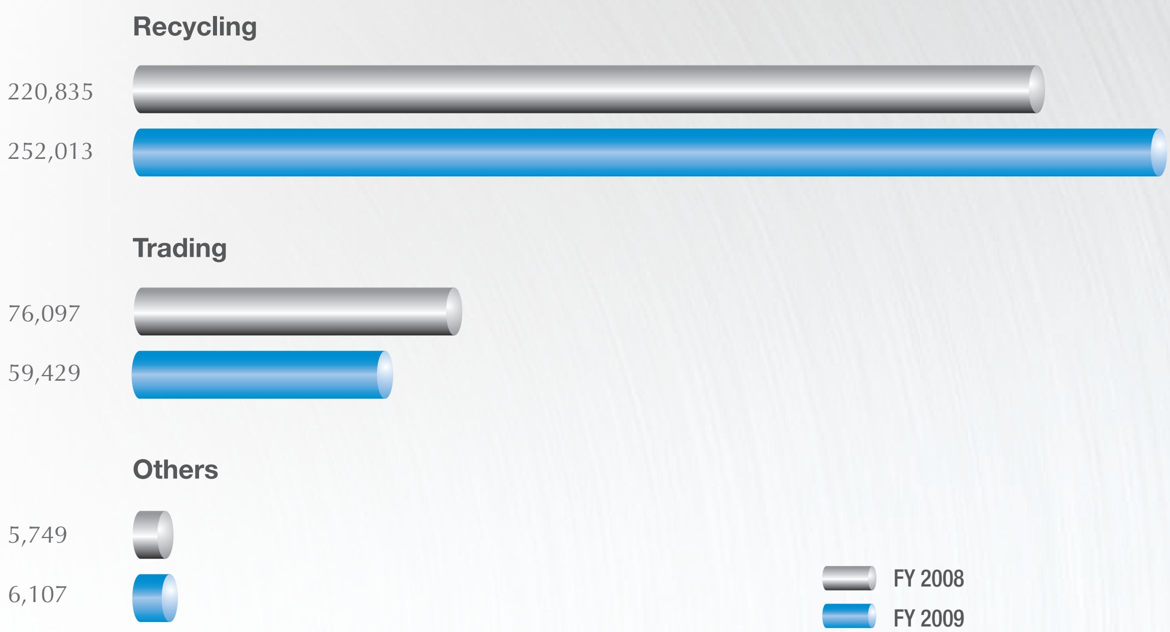
Group (LPS)/EPS (cents)



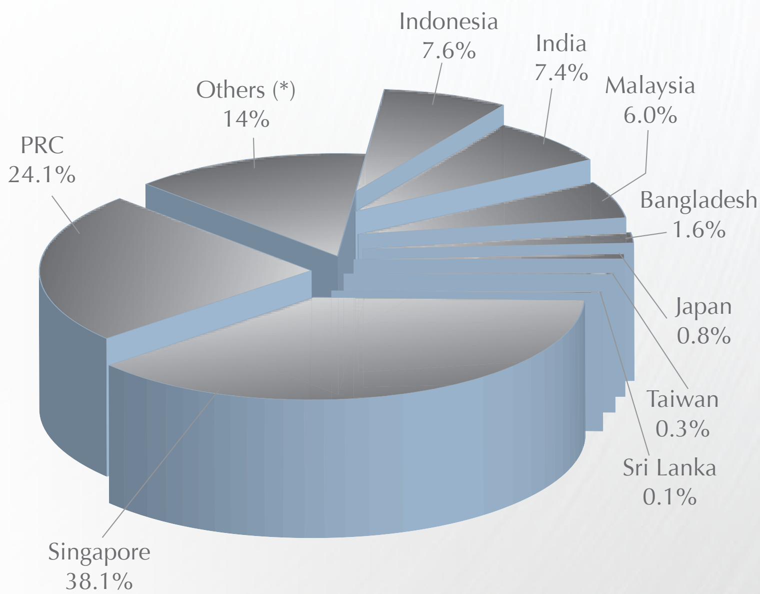
Group NTA (cents)



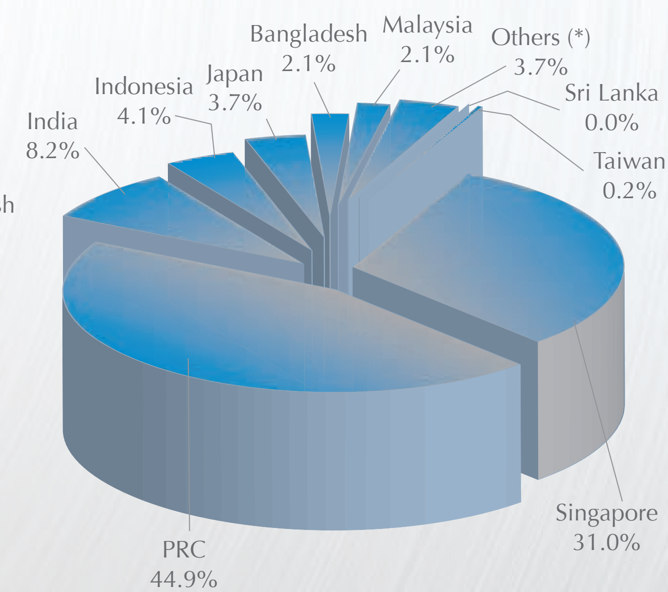
Group Segment Revenue (S$ '000)



Group Revenue by Geographical Region



FY 2008



FY 2009

* Belgium, Brazil, Canada, Egypt, Greece, Netherland, Israel, Italy, Korea, Myanmar, Nepal, New Zealand, Pakistan, Switzerland, Sweden, Turkey, Thailand, UAE, 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 (Chairman)
Chan Kok Poh
Siau Kai Bing

NOMINATING COMMITTEE

Siau Kai Bing (Chairman)
Ang Yu Seng
Chang Yeh Hong

REMUNERATION COMMITTEE

Chan Kok Poh (Chairman)
Chang Yeh Hong
Siau Kai Bing

COMPANY SECRETARY

Helen Campos
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

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

AUDITORS

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

AUDIT PARTNER IN CHARGE

Lim Boon Cheng
(Appointed on 18 April 2008)

PRINCIPAL BANKERS

Overseas-Chinese Banking Corporation Limited
Standard Chartered Bank
United Overseas Bank
DBS Bank
Malayan Banking Berhad
Citibank N.A.
Bangkok Bank Public Company Limited
Hong Kong & Shanghai Banking Corporation

INVESTOR RELATIONS CONSULTANTS

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

Financial Contents

Corporate Governance

The Board of Directors ("Board") and the Management of Union Steel Holdings Limited (the "Company") are committed to maintaining high standards of corporate governance so as to promote corporate transparency and to enhance corporate performance and accountability.

This report sets out the Company's corporate governance practices which were in place throughout the financial year and guided by the Singapore Code of Corporate Governance 2005 (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 supervises the overall management of the Group. To fulfill this role, the Board is responsible for the overall corporate governance of the Group including setting strategic directions, establishing goals for Management and monitoring the achievement of these goals and reviewing the financial performance of the Group.

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
Mr. Ang Yew Chye

Independent Non-Executive Directors
Mr. Chan Kok Poh
Mr. Chang Yeh Hong
Mr. Siau Kai Bing

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's performance;
- Overseeing the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
- Approving nomination and appointment of directors, committee members and key personnel; and
- Approving annual budget, major funding and expansion proposals, 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 these guidelines on a periodic basis to ensure their relevance to the operations of the Company. Directors are required to act in good faith and in the interest 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 update its directors on changes to relevant laws, regulations and accounting standards. All new Directors appointed to the Board are briefed on the Company's business operations, corporate policies and corporate governance practices.

Corporate Governance

The full Board meets on a regular basis and as and when necessary to address any specific significant matters that may arise. The attendance of the Directors at meetings of the Board and Board committees and the frequency of such meetings during the financial year ended 30 June 2009 are as disclosed below.

Name	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Ang Yu Seng	4	4	NA	NA	1	1	NA	NA
Ang Yew Lai	4	4	NA	NA	NA	NA	NA	NA
Ang Yew Chye	4	4	NA	NA	NA	NA	NA	NA
Chan Kok Poh	4	4	5	5	NA	NA	1	1
Chang Yeh Hong	4	4	5	5	1	1	1	1
Siau Kai Bing	4	4	5	5	1	1	1	1

Principle 2: Board Composition and Balance

The Company endeavors to maintain a strong and independent element on the Board. The Board comprises six directors, three of whom are independent non-executive directors. 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 judgment 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 examines its size from time to time to satisfy that it is of an appropriate size for effective decision making, taking into account the nature and scope of the Company's operations. The Board is of the opinion that its current size of six board members is adequate for the present nature and scope of the Company's operations. Together, the Board members possess a balanced field of core competencies to lead the Company. The profile of each Board member is presented on page 8 to 9 in this Annual Report under the heading "Board of Directors".

Principle 3: Roles of Chairman and Chief Executive Officer

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

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

The Executive Chairman and CEO bear the responsibility of setting the Group's strategic directions, conducting the Group's business and the Board's working and proceedings. The Executive Chairman and CEO ensure that the Board meetings are held when necessary and set the Board meeting's agenda in consultation with the directors. The Executive Chairman and CEO review the board papers, prior to presenting them to the Board. The Executive Chairman and CEO ensure that Board members are provided with complete, adequate and timely information on a regular basis to enable them to fully understand and appraise the affairs of the Group. Board papers incorporating sufficient information from Management are forwarded to the Board members in advance of a Board meeting to enable each member to be adequately prepared.

Corporate Governance

Principle 4: Board Membership

The following persons are 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 Yu Seng and Mr. Ang Yew Lai.

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

Principle 5: Board Performance

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

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

Principle 6: Access to Information

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

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

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

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

The Remuneration Committee ("RC") comprises entirely of independent 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 purpose 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 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 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, responsibilities and contributions to the Board, subjected to approval by shareholders at the Annual General Meeting.

The level and mix of remuneration for Directors are set out under *Principle 9.*

Corporate Governance

Principle 9: Disclosure on Remuneration

Directors' Remuneration

A breakdown showing the level and mix of remuneration paid/payable for the financial year ended 30 June 2009 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 (%)	Total (%)
$250,000 to below $500,000					
Ang Yu Seng	72	9	-	19	100
Ang Yew Lai	66	8	-	26	100
Ang Yew Chye	69	9	-	22	100
Below $250,000					
Chan Kok Poh	-	-	100	-	100
Chang Yeh Hong	-	-	100	-	100
Siau Kai Bing	-	-	100	-	100

Two employees of our group, Mdm Ang Siew Chin and Mdm 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 2009 exceeded $150,000.

Remuneration of Key Executives

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

Remuneration Band	Number of Executives
Below $250,000	6

The Company adopts a remuneration policy for employees comprising a fixed component of base salary and a variable component in the form of a variable bonus that is dependent on the Company's and individual's performance.

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 share options granted to any person during the financial year ended 30 June 2009.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

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

Corporate Governance

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. As 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 of safeguarding the Company's assets, maintaining 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 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.

Corporate Governance

The Company is committed to the highest possible standards of ethical, moral and legal business conduct. 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 serious irregularities. 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 judgment 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 oversee and carry out the function of internal audits, including the running 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

The Board and Management believe in regular and timely communications with shareholders as part of the Company's development to build systems and procedures that will enable it to engage shareholders effectively. 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;
- Press releases on major developments of the Group;
- Notices of and explanatory memoranda for Annual General Meeting, ("AGM") and Extraordinary General Meeting ("EGM"); and
- Company website at "www.unionsteel.com.sg" at which shareholders can access information on the Group.

Corporate Governance

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 high level of accountability and to stay appraised of the Group's strategies and goals. Notice of the meeting is also 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, 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
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

The directors are pleased to present their report to the members together with the audited consolidated financial statements of the Group for the financial year ended 30 June 2009 and the balance sheet and statement of changes in equity of the Company as at 30 June 2009.

1. Directors

The directors of the Company in office at the date of this report are as follows:-

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 in, or debentures of the Company or any other body corporate, other than 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 shares, debentures and warrants of the Company or related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act, except as follows:-

	Number of ordinary shares		Number of warrants	
The Company	**At beginning of financial year**	**At end of financial year**	**At beginning of financial year**	**At end of financial year**
Ang Yu Seng	114,373,674	114,373,674	22,874,734	22,874,734
Ang Yew Lai	47,171,050	47,171,050	9,434,210	9,434,210
Ang Yew Chye	23,971,526	24,857,526	4,618,905	4,618,905
Chan Kok Poh	200,000	200,000	40,000	40,000
Chang Yeh Hong	100,000	100,000	20,000	20,000
Siau Kai Bing	100,000	120,000	20,000	-

There was no change in the above-mentioned directors' interests between the end of the financial year and 21 July 2009.

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.

Report of the Directors
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

4. Directors' contractual benefits

Since the end of the previous 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, other than as directors' remuneration and fees in the accompanying financial statements.

5. Share options

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:-

Chan Kok Poh (Chairman)
Chang Yeh Hong
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 2009 are as follows:-

Date of grant of warrants	Exercise price per share	Warrants outstanding at 1 July 2008	Warrants granted	Warrants exercised	Warrants outstanding at 30 June 2009	Exercise period
15 April 2008	$0.12	69,352,050	-	(4,294,000)	65,058,050	15 April 2008 to 14 April 2011

The persons to whom the warrants have been issued have no right to participate, by virtue of warrants, in any share issue of the Company.

Report of the Directors
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

7. Audit Committee

The Audit Committee comprises three independent non-executive directors. The members of the Audit Committee at the date of this report are as follows:-

Chang Yeh Hong (Chairman)
Chan Kok Poh
Siau Kai Bing

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 five 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 of the Group, before submission to the Board of Directors for approval; and

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, 28 August 2009

Statement by Directors

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

In the opinion of the directors,

(a) the balance sheets and statement of changes in equity of the Company and the consolidated financial statements of the Group as set out on pages 30 to 77 are drawn up so as to give a true and fair view of the state affairs of the Company and the Group as at 30 June 2009 and of the results of the business, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended, 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, 28 August 2009

Independent Auditors' Report

TO THE MEMBERS OF UNION STEEL HOLDINGS LIMITED
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

We have audited the accompanying financial statements of Union Steel Holdings Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 30 to 77 which comprise the balance sheets of the Company and of the Group as at 30 June 2009, and the consolidated income statement, the consolidated statement of changes in equity and the 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 judgement, 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.

Independent Auditors' Report

TO THE MEMBERS OF UNION STEEL HOLDINGS LIMITED
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

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 2009 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, 28 August 2009

Consolidated Income Statement

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	Note	2009 $'000	2008 $'000
Revenue	5	317,549	302,681
Cost of sales		(305,392)	(271,196)
Gross profit		12,157	31,485
Other income	6	16,335	20,541
Distribution and marketing expenses		(5,656)	(3,130)
Administrative expenses		(9,311)	(13,342)
Other operating expenses	7	(17,435)	(3,489)
Finance expenses	8	(2,005)	(2,616)
(Loss)/profit before income tax	9	(5,915)	29,449
Income tax expense	10	(113)	(4,326)
(Loss)/profit for the year		(6,028)	25,123
(Loss)/profit attributable to:-			
Equity holders of the Company		(6,028)	25,123
Minority interests		-	-
		(6,028)	25,123
Basic (loss)/earnings per share (cents)	11	(1.72)	7.24
Diluted (loss)/earnings per share (cents)	11	(1.70)	6.74

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

Balance Sheets
AS AT 30 JUNE 2009

	Note	GROUP 2009 $'000	GROUP 2008 $'000	COMPANY 2009 $'000	COMPANY 2008 $'000
ASSETS					
Current assets					
Cash and bank balances	12	32,032	30,402	6,194	6,240
Trade receivables	13	15,224	26,642	898	-
Other receivables and prepayments	14	1,216	1,223	165	11,161
Inventories	15	49,297	70,478	-	-
		97,769	128,745	7,257	17,401
Non-current assets classified as held-for-sale	16	750	-	-	-
Total current assets		98,519	128,745	7,257	17,401
Non-current assets					
Goodwill	17	2,237	2,237	-	-
Property, plant and equipment	18	19,327	21,993	164	230
Investments in subsidiaries	19	-	-	17,961	17,506
Golf club membership	20	159	159	159	159
Financial assets, available-for-sale	21	2,331	6,728	2,331	6,728
Total non-current assets		24,054	31,117	20,615	24,623
Total assets		122,573	159,862	27,872	42,024
LIABILITIES					
Current liabilities					
Trade payables	22	10,395	15,423	-	42
Other payables	23	2,278	5,407	491	443
Bank loans and bills payable	24	41,060	47,169	-	-
Bank overdraft	12	-	1,627	-	-
Obligations under hire purchase contracts	25	751	1,188	39	94
Deferred gain on sale of properties	26	2,074	2,074	-	-
Current income tax liabilities		192	4,545	-	-
Total current liabilities		56,750	77,433	530	579

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

Balance Sheets
AS AT 30 JUNE 2009

		GROUP		COMPANY	
	Note	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Non-current liabilities					
Bank loans	24	2,756	3,872	-	-
Obligations under hire purchase contracts	25	34	189	-	39
Deferred gain on sale of properties	26	7,086	9,160	-	-
Deferred income tax liabilities	27	895	895	-	-
Total non-current liabilities		10,771	14,116	-	
Total liabilities		67,521	91,549	530	618
NET ASSETS		55,052	68,313	27,342	41,406
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	28	30,256	29,612	30,256	29,612
Capital reserve	29	1,914	2,080	1,914	2,080
Fair value reserve		-	(2,589)	-	(2,589)
Retained earnings		22,882	39,210	(4,828)	12,303
		55,052	68,313	27,342	41,406
Minority interests		-	-	-	-
TOTAL EQUITY		55,052	68,313	27,342	41,406

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

Statements of Changes in Equity
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	Share capital $'000	Capital reserve $'000	Fair value reserve $'000	Retained earnings $'000	Attributable to equity holders of the Company $'000	Minority Interests $'000	Total $'000
GROUP							
2009							
Balance as at 1 July 2008	29,612	2,080	(2,589)	39,210	68,313	-	68,313
Fair value adjustment of financial assets, available-for-sale	-	-	2,589	-	2,589	-	2,589
Loss for the year	-	-	-	(6,028)	(6,028)	-	(6,028)
Total recognised income and expense for the year	-	-	2,589	(6,028)	(3,439)	-	(3,439)
Issue of shares to minority shareholders	-	-	-	-	-	245	245
Issue of new shares on conversion of warrants	644	(166)	-	-	478	-	478
Dividend paid (Note 31)	-	-	-	(10,545)	(10,545)	-	(10,545)
Minority interest share of losses	-	-	-	245	245	(245)	-
Balance as at 30 June 2009	30,256	1,914	-	22,882	55,052	-	55,052
2008							
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)
Profit for the year	-	-	-	25,123	25,123	-	25,123
Total recognised income and expense for the year	-	-	(2,589)	25,123	22,534	-	22,534
Acquisition of minority shareholdings	-	-	-	-	-	(45)	(45)
Issue of warrants	-	2,082	-	-	2,082	-	2,082
Issue of new shares on conversion of warrants	11	(2)	-	-	9	-	9
Dividend paid (Note 31)	-	-	-	(3,471)	(3,471)	-	(3,471)
Balance as at 30 June 2008	29,612	2,080	(2,589)	39,210	68,313	-	68,313

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

Statements of Changes in Equity
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	Share capital $'000	Capital reserves $'000	Fair value reserves $'000	Retained earnings $'000	Total $'000
COMPANY					
2009					
Balance as at 1 July 2008	29,612	2,080	(2,589)	12,303	41,406
Loss for the year	-	-	-	(6,586)	(6,586)
Fair value adjustment of financial assets, available-for-sale	-	-	2,589	-	2,589
Dividend paid (Note 31)	-	-	-	(10,545)	(10,545)
Issue of new shares on conversion of warrants	644	(166)	-	-	478
Balance as at 30 June 2009	30,256	1,914	-	(4,828)	27,342
2008					
Balance as at 1 July 2007	29,601	-	-	4,751	34,352
Profit for the year	-	-	-	11,023	11,023
Fair value adjustment of financial assets, available-for-sale	-	-	(2,589)	-	(2,589)
Dividend paid (Note 31)	-	-	-	(3,471)	(3,471)
Issue of warrants	-	2,082	-	-	2,082
Issue of new shares on conversion of warrants	11	(2)	-	-	9
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 2009

	GROUP	
	2009 **$'000**	**2008** **$'000**
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before income tax	(5,915)	29,449
Adjustments for:-		
Depreciation of property, plant and equipment	4,720	4,030
Gain on disposal of property, plant and equipment	(4,904)	(9,459)
Amortisation of deferred gain on sale of properties	(2,074)	(1,210)
Plant and equipment written off	34	-
Finance expenses	2,005	2,616
Interest income	(151)	(383)
Allowance for doubtful trade receivables	48	433
Allowance for impairment loss in financial assets, available-for-sale	6,986	-
Allowance for impairment loss in value of inventories	2,089	-
OPERATING CASH FLOWS BEFORE WORKING CAPITAL CHANGES	**2,838**	**25,476**
Changes in operating assets and liabilities:-		
Trade receivables	11,370	(5,463)
Other receivables and prepayments	7	(474)
Inventories	19,091	(26,883)
Trade payables	(5,028)	226
Other payables	(3,129)	280
CASH GENERATED FROM/(USED IN) OPERATIONS	**25,149**	**(6,838)**
Income tax paid	(4,469)	(1,867)
Income tax refund	3	183
Interest paid	(2,005)	(2,616)
Interest income received	151	383
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	18,829	(10,755)

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 2009

	GROUP	
	2009 $'000	**2008 $'000**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment (Note A)	(2,704)	(2,787)
Investment in financial assets, available-for-sale	-	(9,317)
Proceeds from disposal of property, plant and equipment	6,738	35,691
Acquisition of subsidiary, net of cash acquired (Note B)	-	(1,000)
Placement of fixed deposits pledged with a bank	(1,000)	-
NET CASH FROM INVESTING ACTIVITIES	3,034	22,587
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares	478	11
Proceed from issue of shares by a subsidiary to minority shareholders	245	-
Proceeds from issuance of warrants	-	2,080
Funds from bank loans	24,194	8,105
(Decrease)/increase in bills payable	(13,772)	11,481
Repayment of bank loans	(17,647)	(20,782)
Repayment of hire purchase contracts	(2,559)	(599)
Dividend paid	(10,545)	(3,471)
Acquisition of minority shareholdings	-	(45)
NET CASH USED IN FINANCING ACTIVITIES	(19,606)	(3,220)
Net increase in cash and cash equivalents	2,257	8,612
Cash and cash equivalents at beginning of the financial year	28,775	20,163
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR (Note 12)	31,032	28,775

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 2009

Note A

During the year, the Group acquired property, plant and equipment with an aggregate cost of approximately $4,672,000 (2008: $3,967,000) of which $1,968,000 (2008: $1,180,000) were acquired by means of hire purchase contracts. Cash payment of about $2,704,000 (2008: $2,787,000) 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.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

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") is listed on the Singapore Exchange and incorporated and domiciled in the Republic of Singapore. The registered office and principal place of business of the Company is at 33 Pioneer Road North, Singapore 628474.

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries in the Group are stated in Note 19 to the financial statements.

The financial statements of the Group and the Company for the financial year ended 30 June 2009 were authorised for issue in accordance with a resolution of the 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 Singapore Financial Reporting Standards ("FRS"). The financial statements are expressed in Singapore Dollar and prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3. Although these estimates are based on management's best knowledge of current events and actions, actual result may ultimately differ from these estimates.

(b) Adoption of New and Revised FRS

On 1 July 2008, the Group adopted all of the new or revised FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these FRS and INT FRS did not result in any substantial changes to the Group's accounting policies nor any significant impact on these financial statements.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

2. BASIS OF PREPARATION (CONTINUED)

2.1 Basis of Preparation (continued)

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

The Group has not adopted the following FRS and INT FRS and amendments to FRS that have been issued as of the balance sheet date but are not yet effective:-

FRS 1	- Presentation of Financial Statements (Revised)
FRS 23	- Borrowing Costs (Revised)
FRS 27	- Consolidated and Separate Financial Statements (Revised)
FRS 102	- Share-based Payment (Amendments relating to Vesting Conditions and Cancellations)
FRS 103	- Business Combinations (Revised)
FRS 107	- Financial Instruments: Disclosures (Improving Disclosures about Financial Instruments)
FRS 108	- Operating Segments

Consequential amendments were also made to various standards as a result of these new/revised standards.

The directors anticipate that the adoption of the above FRS, INT FRS and amendments to FRS in future periods will have no material impact on the financial statements of the Group and of the Company in the period of their initial adoption, except for the following:-

FRS 1 – Presentation of Financial Statements (Revised)

FRS 1 (Revised) will be effective for annual periods beginning on or after 1 January 2009 and will change the basis for preparation and structure of the financial statements. It does not change the recognition, measurement or disclosure of specific transactions and other events required by other FRS.

FRS 23 – Borrowing Costs (Revised)

FRS 23 (Revised) will be effective for annual periods beginning on or after 1 January 2009 and eliminates the option available under the previous version of FRS 23 to recognise all borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. As the change in accounting policy is to be applied prospectively, there will be no impact on amounts reported for 2009.

FRS 108 – Operating Segments

FRS 108 will be effective for annual periods beginning on or after 1 January 2009 and supersedes FRS 14 – Segment Reporting. FRS 108 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrasts, FRS 14 requires an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. As a result, following the adoption of FRS 108, the identification of the Group's reportable segments may change.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies

(a) Subsidiaries

Subsidiaries are entities over which the Group has power to govern the financial and operating policies, generally accompanied by a shareholding giving rise to a majority 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. 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. Please refer to paragraph 2.2 (b) below for the accounting policy on goodwill on acquisition of subsidiary.

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 transactions 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. They are 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 minorities share of losses in a subsidiary exceeds its interests in the equity of that subsidiary. In such cases, the excess and further losses applicable to the minorities are attributed to the equity holders of the Company unless the minorities 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 minorities share of losses previously absorbed by the equity holders of the Company are fully recovered.

Investment in subsidiaries is carried 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 recognised in 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.

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(c) Transaction with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recognised in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the Group's incremental share of the carrying value of identifiable net assets of the subsidiary.

2.3 Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Costs also includes borrowing costs and any fair value gains or losses on qualifying cash flow hedges of property, plant and equipment that are transferred from the hedging reserve.

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

Leasehold land and building under construction is not depreciated.

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in the income statement when the changes arise.

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 only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in the income statement when incurred.

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in 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.

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: loans and receivables and financial assets, available-for-sale. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as “trade and other receivables” and “cash and bank balances” on the balance sheet.

(ii) Financial assets, available-for-sale

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

(b) Recognition and derecognition

Regular way purchase 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 sale proceeds is recognised in the income statement. Any amount in the fair value reserve relating to that asset is transferred to the income statement.

(c) Initial and subsequent measurement

Financial assets are initially recognised at fair value plus transaction costs.

Financial assets, available-for-sale are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Interest and dividend income on financial assets, available-for-sale are recognised separately in the income statement. Changes in fair values of available-for-sale debt securities (i.e.monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in the fair value reserve. Changes in fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in the fair value reserve, together with the related currency translation differences.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in the income statement.

The allowance for impairment loss account is reduced through the income statement in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost, had no impairment been recognised in prior periods.

(ii) Financial assets, available-for-sale

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.

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 on debt securities. The impairment losses recognised in the income statement on equity securities are not reversed through the income statement.

(iii) Intangible assets
Property, plant and equipment
Investments in subsidiaries

Intangible assets, property, plant and equipment and investments in subsidiaries are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) 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, the recoverable amount is determined for the CGU to which the asset belongs.

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 difference between the carrying amount and recoverable amount is recognised as an impairment loss in the income statement.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Impairment of assets (continued)

(iii) Intangible assets
Property, plant and equipment
Investments in subsidiaries (continued)

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this 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 any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in the income statement.

(iv) Goodwill

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

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. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

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 classified as 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 recognised 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.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial liabilities

Financial liabilities include trade payables, other payables, hire purchase liabilities and loans and borrowings. Financial liabilities are recognised 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 recognised at fair value of the consideration received less directly attributable transaction cost and subsequently measured at amortised cost using the effective interest method.

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

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortization process. The liabilities are derecognised when the obligation under the liability is discharged or cancelled or expired.

2.10 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Other provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risk specific to the obligation. The increase in the provision due to the passage of time is recognised in the income statement as finance expense.

Changes in the estimated timing or amount of the expenditure of discount rate are recognised in the income statement when the changes arise.

2.11 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.

2.12 Financial guarantees

The Company has issued corporate guarantees to financial institutions for 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 guarantees are initially recognised at their fair values plus transaction costs in the Company’s balance sheet.

Financial guarantee are subsequently amortised to the income statement over the period of the subsidiaries’ borrowings, unless it is probable that the Company will reimburse the financial institutions for an amount higher than the unamortised amount. In this case, the financial guarantee shall be carried at the expected amount payable to the financial institutions.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Share capital

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

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the consideration paid including any directly attributable incremental cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained earnings of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued pursuant to the employee share option scheme, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve of the Company.

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.

2.15 Income tax

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred income tax is measured:-

(i) at 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 substantively enacted by the balance sheet date; and

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Income tax (continued)

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in the income statement, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

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.

2.17 Revenue recognition

Sales comprise the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group’s activities. Sales are presented net of value-added tax, rebates and discounts, and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, when it is probable that the collectibility of the related receivables is reasonably assured and when the specific criteria for each of the Group’s activities are met as follows:-

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 and the customer has accepted the products.

(b) Service income

Service income is recognised when services are rendered to customers.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Revenue recognition (continued)

(c) Rental income

Rental income from operating leases of leasehold land and buildings, warehouse and office premises (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term.

Rental income from steel plates and machineries is recognised on a straight-line basis over the lease term.

(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 Borrowing costs

Borrowing costs are recognised in income statement using the effective interest method in the period in which they are incurred.

2.19 Leases

(a) When the Group is the lessee

The Group leases motor vehicles and plant and machinery under finance leases and leasehold land and buildings, office space, warehouses and yard under operating leases from non-related parties.

(i) Lessee – Finance leases

The leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as plant and equipment and finance lease liabilities respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in the income statement on a basis that reflects a constant periodic rate of interest on the finance lease liability.

(ii) Lessee – Operating leases

Leases of leasehold land and buildings, office space, warehouses and yard where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in the income statement on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in the income statement when incurred.

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Leases (continued)

(b) When the Group is the lessor

The Group leases leasehold land and buildings under operating leases to non-related parties.

(i) Lessor – Operating leases

Leases of leasehold land and buildings, warehouses and office premises where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in the income statement on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in the income statement over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in the income statement when earned.

2.20 Employee compensation

The Group's contributions are recognised as employee compensation expense when they are due, unless they can be capitalised as an asset.

(i) Defined contribution plan

Defined contribution plans are post-employment benefit plan under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(ii) 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 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENT

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENT (CONTINUED)

(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 $2,089,000 (2008: $256,000) is adequate and the carrying amount of inventory of $49,297,000 (2008: $70,478,000) 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 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 $19,327,000 (2008: $21,993,000).

(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 recognised liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made. The carrying amounts of the Group's current income tax payable and deferred income tax liabilities at 30 June 2009 were $192,000 (2008: $4,545,000) and $895,000 (2008: $895,000) 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 realisation of these receivables, including creditworthiness and the past collection history of each customer. Management is of the view that the allowances of $439,000 (2008: $539,000) are adequate and the carrying amounts of $15,224,000 (2008: $26,642,000) 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.

(v) Impairment of financial assets, available-for-sale

Management reviews its financial assets for objective evidence of impairment at least quarterly. 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 considered objective evidence that a financial asset is impaired. In determining this, management evaluated, among other factors, the duration and extent to which the fair value of a financial asset is less than its cost, the financial health of and the rear-term business outlook of the issuer of the instrument including factors such as industry and sector performance. Management is of the view that the quoted equity shares in Indonesia is impaired and the cumulative fair value loss of $2,589,000 that had been recognised directly in equity was transferred to the income statement in the current year and an additional impairment loss of $4,397,000 was provided in its 2009 financial statements.

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

4. RELATED PARTY TRANSACTIONS

An entity or individual is considered to be a related party of the Group for the purpose of the financial statements if it possesses ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the Group or vice versa and it is subject to common control or common significant influence.

Some of the Group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

In addition to information disclosed elsewhere in the financial statements, the following significant transactions took place between the Group and related parties.

(i) Significant transactions with subsidiaries:-

	Company	
	2009	**2008**
	$'000	**$'000**
Management fees received from subsidiaries	2,420	2,400

(ii) Key management personnel compensation:-

	Group		Company	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
Directors of the Company				
- remuneration	1,186	4,593	1,167	1,126
- fees	104	114	104	114
- contributions to Central Provident Fund	26	26	26	26
Directors of a subsidiary				
- remuneration	341	-	-	-
- contributions to Central Provident Fund	26	-	-	-
Other key management personnel				
- wages and salaries	553	605	218	254
- contributions to Central Provident Fund	41	46	15	13
	2,277	5,384	1,530	1,533

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

5. REVENUE

	Group	
	2009 $'000	2008 $'000
Sale of goods	311,444	296,932
Rental income	3,976	3,249
Service income	2,129	2,500
	317,549	302,681

6. OTHER INCOME

	Group	
	2009 $'000	2008 $'000
Gain on disposal of property, plant and equipment	4,904	9,459
Rental of leasehold land and buildings, warehouses and office premises	5,967	5,949
Amortisation of deferred gain on sale of properties (Note 26)	2,074	1,210
Compensation by customers	1,311	-
Transportation income	545	676
Storage income	257	-
Interest income	151	383
Insurance claims	105	17
Government job credits	99	-
Allowance for doubtful trade receivables no longer required (Note 13)	68	-
Foreign exchange gain	-	1,970
Reversal of allowance for impairment of inventories no longer required	-	563
Sundry income - others	854	314
	16,335	20,541

7. OTHER OPERATING EXPENSES

	Group	
	2009 $'000	2008 $'000
Allowance for impairment loss in financial assets, available-for-sale (Note 21)	4,397	-
Rental of leasehold land and buildings, office premises, warehouses and yard	4,205	2,943
Foreign exchange loss	4,076	-
Transfer from fair value reserve for impairment loss in financial assets, available-for-sale	2,589	-
Allowance for impairment loss in value of inventories	2,089	-
Allowance for doubtful trade receivables (Note 13)	48	433
Bad trade receivables written off	31	113
	17,435	3,489

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

8. FINANCE EXPENSES

	Group 2009 $'000	Group 2008 $'000
Trust receipts interest	1,530	1,928
Bank loans interest	362	619
Hire purchase interest	101	28
Bank overdrafts interest	4	41
Other interest	8	-
	2,005	2,616

9. (LOSS)/PROFIT BEFORE INCOME TAX

	Group 2009 $'000	Group 2008 $'000
This is determined after charging:-		
Depreciation of property, plant and equipment	4,720	4,030
Directors' fees	104	114
Directors' remuneration	1,579	1,162
Plant and equipment written off	34	-

There was no non-audit fee paid to the Independent Auditors of the Company for the financial years ended 30 June 2009 and 2008.

10. INCOME TAX EXPENSE

	Group 2009 $'000	Group 2008 $'000
Current income tax		
- Current year	-	4,421
- Under/(over) provision in prior year	113	(47)
Deferred income tax		
- Current year	-	(48)
	113	4,326

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

10. INCOME TAX EXPENSE (CONTINUED)

The income tax (benefit)/expense varied from the amount of income tax expenses determined by applying the Singapore of income tax rate of 17% (2008: 18%) to (loss)/profit before income tax as a result of the following differences:-

	Group	
	2009	2008
	$'000	$'000
(Loss)/profit before income tax	(5,915)	29,449
Tax (benefit)/expense statutory rate 17% (2008: 18%)	(1,006)	5,301
Tax effect on non-deductible/(non-taxable) items	314	(956)
Tax saving on partial exempt income	(26)	(82)
Under/(over) provision of current income tax in prior year	113	(47)
Utilisation of unabsorbed donations not recognised previously	(28)	-
Deferred tax asset not recognised	810	-
Others	(64)	110
	113	4,326

Under the loss-transfer system of group relief (group relief system) for Singapore companies, a Singapore company belonging to a group may transfer their current year unabsorbed capital allowances, current year unabsorbed trade losses to another Singapore company belonging to the same Group, to be deducted against the assessable income of the latter company.

For the current financial year, the Group intends to transfer unabsorbed capital allowances and trade losses to profit making companies in the Group, subject to compliance with the relevant rules and procedures and agreement of the Inland Revenue Authority of Singapore.

Additionally, the Group has unabsorbed tax losses and donations of approximately $4,765,000 and Nil, respectively (2008: $1,000,000 and $166,000) available for offset against future taxable income. These tax benefits have not been recognised in the financial statements due to the uncertainty of their recoverability. The use of these potential tax benefits is subject to the agreement of Inland Revenue Authority of Singapore and compliance with certain provisions of the Singapore Income Tax Act.

The movement of the unabsorbed tax losses is as follows:-

	Group	
	2009	2008
	$'000	$'000
Amount at beginning of year	1,000	-
Amount in current year	4,765	1,000
Amount disallowed	(1,000)	-
Amount at end of year	4,765	1,000
Deferred tax benefit on above unrecorded	810	180

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

11. BASIC AND DILUTED EARNINGS PER SHARE

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

	Group	
	2009	**2008**
(Loss)/profit attributable to equity holders of the Company ($'000)	(6,028)	25,123
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	350,296	347,122
Basic (loss)/earnings per share (cents)	(1.72)	7.24
Weighted average number of ordinary shares outstanding for diluted (loss)/earnings per share ('000)	353,883	372,673
Diluted (loss)/earnings per share (cents)	(1.70)	6.74

12. CASH AND BANK BALANCES

	Group		Company	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
Cash and bank balances	28,019	20,520	2,181	1,119
Fixed deposits	4,013	9,882	4,013	5,121
	32,032	30,402	6,194	6,240

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

	Group		Company	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
Cash and bank balances (as above)	32,032	30,402	6,194	6,240
Less: Fixed deposits pledged	(1,000)	-	(1,000)	-
Bank overdraft	-	(1,627)	-	-
Cash and cash equivalents for consolidated cash flow statement	31,032	28,775	5,194	6,240

Fixed deposit at the balance sheet date have an average maturity ranging from 18 days to 112 days (2008: 1 day to 23 days) since the end of the financial year with effective interest ranging from 0.11% to 1.40% (2008: 0.90% to 2.63%) per annum.

A fixed deposit of $1,000,000 (2008: Nil) of the Group is pledged to a financial institution to secure short-term bank loan given to a subsidiary (Note 24).

In 2008, the bank overdraft bore interest of approximately 6.75% for annum and it was secured by a continuing joint and several personal guarantee from a subsidiary's directors.

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

13. TRADE RECEIVABLES

	Group		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Subsidiaries (Note 19)	-	-	898	-
Non-related parties	15,663	27,181	-	-
Less: Allowance for doubtful trade receivables	(439)	(539)	-	-
	15,224	26,642	898	-

The change in the allowance for doubtful trade receivables during the financial year is as follows:-

	Group		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Balance at beginning of year	539	629	-	-
Current year allowance (Note 7)	48	433	-	-
Amount written off	(80)	(523)	-	-
Reversal of allowance no longer required	(68)	-	-	-
Balance at end of year	439	539	-	-

The average credit period taken to settle the trade receivable is about 30 days (2008: 30 days). No interest is charged on outstanding balances. The credit risk and currency denominated risk of trade receivables are disclosed in Note 38.

Trade receivables that are individually determined to be impaired as at 30 June 2009 and 30 June 2008 relate to receivables that are financial difficulties and have defaulted in payments.

14. OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Tax recoverable	144	144	144	144
Dividends receivable from subsidiaries	-	-	-	11,000
Other receivables	716	72	-	8
Prepayments	356	1,007	21	9
	1,216	1,223	165	11,161

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

15. INVENTORIES

	Group 2009 $'000	Group 2008 $'000
Trading inventories	50,196	65,047
Inventories-in-transit	1,190	5,687
	51,386	70,734
Less: Allowance for impairment loss in value of inventories	(2,089)	(256)
	49,297	70,478

The change in the allowance for impairment loss in value of inventories is as follows:-

	Group 2009 $'000	Group 2008 $'000
Balance at beginning of financial year	256	819
Current year allowance	2,089	-
Amount written off	(256)	-
Reversal of allowance	-	(563)
Balance at end of financial year	2,089	256

The cost of inventories recognised as expenses and included in cost of sales amounted to $292,218,000 (2008: $256,240,000).

In the financial year 2008, the Group reversed $563,000 to the income statement, being inventories previously written down but was sold during the financial year.

16. 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, leasehold properties classified under leasehold land and buildings in property, plant and equipment had been reclassified as non-current assets held-for-sale (Note 18).

	Group		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Reclassified from property, plant and equipment	750	13,483	-	-
Disposal of assets	-	(13,483)	-	-
	750	-	-	-

17. GOODWILL

	Group 2009 $'000	Group 2008 $'000
Goodwill arising from acquisition of subsidiary	2,237	2,237

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

18. PROPERTY, PLANT AND EQUIPMENT

GROUP	Leasehold land and buildings $'000	Leasehold land and building under construction $'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 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 1 July 2008	18,297	-	743	2,178	577	14,480	5,266	41,541
Additions	21	1,464	33	114	209	2,831	-	4,672
Disposal/Written off	(2,240)	-	-	(7)	(21)	(177)	(662)	(3,107)
Reclassified to assets held-for-sale	(2,878)	-	-	-	-	-	-	(2,878)
At 30 June 2009	13,200	1,464	776	2,285	765	17,134	4,604	40,228
Accumulated depreciation								
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 1 July 2008	5,205	-	592	1,582	304	8,874	2,991	19,548
Depreciation charge	1,765	-	83	233	57	1,804	778	4,720
Disposal/Written off	(417)	-			(1)	(159)	(662)	(1,239)
Reclassified to assets held-for-sale	(2,128)	-	-	-	-	-	-	(2,128)
At 30 June 2009	4,425	-	675	1,815	360	10,519	3,107	20,901
Carrying amount								
At 30 June 2009	8,775	1,464	101	470	405	6,615	1,497	19,327
At 30 June 2008	13,092	-	151	596	273	5,606	2,275	21,993

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

18. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

COMPANY	Motor vehicles, truck and cranes $'000
Cost	
At 1 July 2007, 1 July 2008 & 30 June 2009	338
Accumulated depreciation	
At 1 July 2007	40
Depreciation charge	68
At 1 July 2008	108
Depreciation charge	66
At 30 June 2009	174
Carrying amount	
At 30 June 2009	164
At 30 June 2008	230

(i) As at the balance sheet date, the Group and the Company had plant and equipment with net carrying value of approximately $2,310,000 and $164,000 (2008: $2,145,000 and $230,000), respectively acquired under hire purchase contracts.

(ii) Particulars of the properties held by the Group as at 30 June 2009 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 25 years ending 30 September 2035
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
3 Gul Road Singapore 629344	Yard with land area of 15,665 square metres	To be finalised upon completion of construction

(iii) Certain banking facilities of the Group and Company are secured by mortgage of the leasehold land and buildings of the Company with net carrying amount of $7,745,000 (2008: $8,356,000).

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

18. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(iv) During the financial year, the Company's wholly-owned subsidiary, YLS Steel Pte Ltd:-

(a) sold a property known as 30 Jalan Samulun for a consideration of $6,500,000. The gain on disposal of about $3.8million is included in income statement during the year; and

(b) entered into an agreement with Strategic Marine Singapore Pte Ltd in respect of the proposed sale of property known as 4 Pioneer Sector 1, Singapore 628605 with carrying amount of about $750,000 for a total consideration of about $2,350,000. Accordingly, the property is presented separately on the balance sheet as non-current assets classified as held-for-sale. (Note 16)

(v) 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 classified as held-for-sale (Note 16). The sale was completed in 2008.

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 6 years ending 30 October 2013
31 / 33 Pioneer Road North Singapore 628472	Office premises, factory and warehouse with land area of 7,739 square metres	Lease of 6 years ending 30 October 2013
30 Tuas South Avenue 8 Singapore 637653	Factory with land area of 8,305 square metres Partially sub-leased to third parties	Lease of 6 years ending 30 October 2013
8 Tuas View Square Singapore 637574	Land area of 4,497 square metres Leased to third parties	Lease of 6 years ending 30 October 2013

19. INVESTMENTS IN SUBSIDIARIES

	Company	
	2009 **$'000**	**2008** **$'000**
Unquoted equity shares, at cost	17,961	17,506

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

19. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation/ place of business	Percentage of equity held		Cost of investment	
			2009 %	2008 %	2009 $'000	2008 $'000
Direct						
Union Steel Pte. Ltd.	Recycling of non-ferrous metal and trading of 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 metals and materials	Singapore	65	65	1,455 (1)	1,000
Indirect						
Union Aluminium Pte. Ltd. (Subsidiary of Union Steel Pte. Ltd.)	Dormant	Singapore	100	100	- (2)	- (2)
					17,961	17,506

All the above subsidiaries are audited by LTC LLP

(1) During the financial year, the subsidiary issued additional 700,000 shares of $700,000 resulting in increase in the Company's proportionate investment of $455,000.

(2) Cost of investment is less than $1,000

20. GOLF CLUB MEMBERSHIP

	Group and Company	
	2009 $'000	2008 $'000
At cost	159	159
Market value	200	224

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

21. FINANCIAL ASSETS, AVAILABLE-FOR-SALE

	Group and Company	
	2009	2008
	$'000	$'000
Quoted equity shares - Indonesia at fair value:-		
At beginning of the financial year	6,728	6,728
Allowance for impairment loss (Note 7)	(4,397)	-
At end of the financial year	2,331	6,728

The above are denominated in Indonesian Rupiah.

The Group has recognised an impairment loss of $4,397,000 (2008: Nil) against an equity security in Indonesia whose trade prices had been below cost for a prolonged period during the financial year.

22. TRADE PAYABLES

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Non- related parties	9,429	15,423	-	42
Derivative financial instruments (Note 37)	966	-	-	-
	10,395	15,423	-	42

The average credit period taken to settle the trade payables is about 40 days (2008: 20 days).

23. OTHER PAYABLES

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Accruals for operating expenses	1,509	4,835	207	165
Accruals for directors' fees	107	108	107	108
Amount due to directors	-	53	-	-
Other payables	662	411	177	170
	2,278	5,407	491	443

In 2008, the amount due to directors was unsecured, interest-free and repayable on demand.

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

24. BANK LOANS AND BILLS PAYABLE

	Group	
	2009	2008
	$'000	$'000
Current		
Bank loan I - secured	880	880
Bank loan II - secured	279	279
Bank Loan III - secured	696	-
Short-term bank loans - secured	10,198	3,232
Bills payable to banks - secured	29,007	42,778
	41,060	47,169
Non-current		
Bank loan I - secured	1,613	2,493
Bank loan II - secured	1,143	1,379
	2,756	3,872
Total	43,816	51,041

(i) Bank loan I

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

(ii) Bank loan II

A loan of $2,400,000 commencing in 2004, which is repayable over 10 years by monthly instalments of $22,625 each for the first year, $22,883 each for the second year, $24,608 each for third year, $23,223 each for fourth 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.

(iii) Bank loan III

During the financial year, a subsidiary entered into a bank loan amounting to $5,000,000 or 80% of the cost of the leasehold building under construction, whichever is lower. The loan bears interest at 2% per annum above the bank's cost of funds rate. The loan is repayable over 10 years from the date of first drawdown. As at the balance sheet date the drawdown was about $700,000.

(iv) 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. A short-term bank loan of $1,000,000 is also secured by a pledged fixed deposit of $1,000,000 as disclosed in Note 12.

The long-term bank loans I to III are secured by the Group's leasehold land and buildings as disclosed in Note 18 (iii).

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

24. BANK LOANS AND BILLS PAYABLE (CONTINUED)

As at the financial year end, the Group has the following undrawn borrowing facilities:-

	Group 2009 $'000	Group 2008 $'000
Not later than one year	4,303	-

25. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Minimum lease payments payable:-				
Within one year	781	1,251	751	1,188
Within two to five years	37	214	34	189
	805	1,465	785	1,377
Finance charges allocated to future periods	(33)	(88)	-	-
	785	1,377	785	1,377
Less: Repayable within one year included under current liabilities			(751)	(1,188)
Repayable after one year			34	189

	Company			
	Minimum lease payments		Present value of minimum lease payments	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Minimum lease payments payable:-				
Within one year	42	102	39	94
Within two to five years	-	42	-	39
	42	144	39	133
Finance charges allocated to future periods	(3)	(11)	-	-
	39	133	39	133
Less: Repayable within one year included under current liabilities			(39)	(94)
Repayable after one year			-	39

25. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS (CONTINUED)

The effective interest rate was 1.25% (2008: 3.8%) per annum and 2.85% (2008: 2.85%) per annum for the Group and Company respectively.

It was the Group's policy to lease certain plant and equipment under hire purchase. 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.

26. DEFERRED GAIN ON SALE OF PROPERTIES

Deferred gain on sale of properties amounted to about $12,444,000 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 in 2008. The deferred gain is credited to income statement over 6 years.

	Group and Company	
	2009	**2008**
	$'000	**$'000**
At beginning of the financial year	11,234	-
Deferred gain in current year	-	12,444
Credited to income statement	(2,074)	(1,210)
At end of the financial year	9,160	11,234
Less: Classified under current liabilities	(2,074)	(2,074)
Non-current liabilities	7,086	9,160

27. DEFERRED INCOME TAX LIABILITIES

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

	Group	
	2009	**2008**
	$'000	**$'000**
At beginning of the financial year	895	943
Credited to income statement (Note 10)	-	(48)
At end of the financial year	895	895

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

28. SHARE CAPITAL

	Number of ordinary shares		Group and Company	
	2009	2008	2009 $'000	2008 $'000
Issued and fully paid:-				
At beginning of financial year	347,174,250	347,105,250	29,612	29,601
Shares issued arising from conversion of warrants	4,294,000	69,000	644	11
At end of financial year	351,468,250	347,174,250	30,256	29,612

During the financial year, 4,294,000 (2008: 69,000) units of warrants were converted into ordinary shares for a total consideration of $644,000 (2008: $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.

29. CAPITAL RESERVE

In 2008, the Company issued and allotted 69,421,050 warrants on the basis of one warrant for every five existing ordinary shares 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.

During the financial year, the Company issued 4,294,000 (2008: 69,000) ordinary shares upon the exercise of 4,294,000 (2008: 69,000) warrants.

As at 30 June 2009, the company has 65,058,050 (2008: 69,352,050) outstanding warrants.

The movement in the capital reserves is as follows:-

	Group and Company	
	2009 $'000	2008 $'000
At beginning of the financial year	2,080	-
Issue of warrants	-	2,082
4,294,000 (2008: 69,000) Warrants conversion at $0.12 per share	(166)	(2)
At end of the financial year	1,914	2,080

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

30. EMPLOYEE COMPENSATION

	Group		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Wages, salaries and bonus	5,389	10,248	1,293	1,147
Contributions to Central Provident Fund	348	451	51	44
Other staff related expenses	521	506	227	224
	6,258	11,205	1,571	1,415

31. DIVIDENDS

	Group and Company	
	2009 $'000	2008 $'000
Final tax exempt (one-tier) dividend of $0.03 (2008: $0.01) in respect of the previous financial year	10,545	3,471

32. OPERATING LEASE COMMITMENTS

(a) Where Group is a lessee

The Group leases leasehold land and buildings, office premises, warehouses and yard from non-related parties under non-cancellable operating lease agreements. The leases have terms from 1 year to 30 years.

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:-

	Group	
	2009 $'000	2008 $'000
Not later than one year	4,704	4,824
Later than one year and not later than five years	13,951	15,389
Later than five years	2,912	4,323
	21,567	24,536

The rental expenses for the financial year amounted to $4,700,000 (2008: $3,178,000).

(b) Where Group is a lessor

The Group lease out leasehold land and buildings, warehouses and office premises to non-related parties under noncancellable operating leases. The lessees are required to pay either absolute fixed annual increases to the lease payments.

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

32. OPERATING LEASE COMMITMENTS (CONTINUED)

(b) Where Group is a lessor (Continued)

The future minimum lease receivables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables are as follows:-

	Group	
	2009 **$'000**	**2008** **$'000**
Not later than one year	2,716	5,726
Later than one year and not later than five years	1,106	2,415
	3,822	8,141

The rental income for the financial year amounted to $ 5,967,000 (2008: $5,949,000). The leases have terms from 1 year to 2 years.

33. CAPITAL COMMITMENTS

	Group	
	2009 **$'000**	**2008** **$'000**
Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements	6,000	10,000

34. GUARANTEE

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

	Group	
	2009 **$'000**	**2008** **$'000**
Bankers' guarantee	3,538	4,705

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

35. SEGMENT INFORMATION

35.1 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.

35. SEGMENT INFORMATION (CONTINUED)

35.1 Primary reporting format - business segments (Continued)

(ii) Segment revenues and expenses

Segment revenues and expenses are revenues 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 deals with more than one business segment of the entire recycling, trading and other activities.

	Recycling		Trading		Others		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue								
Segment revenue	252,013	220,835	59,429	76,097	6,107	5,749	317,549	302,681
Segment result	(1,772)	6,515	(688)	8,380	(246)	4,052	(2,706)	18,947
Other income							16,335	20,541
Unallocated corporate expenses							(17,539)	(7,423)
(Loss)/profit from operations							(3,910)	32,065
Finance expenses							(2,005)	(2,616)
(Loss)/profit before income tax							(5,915)	29,449
Income tax expense							(113)	(4,326)
Net (loss)/profit after income tax							(6,028)	25,123
Other information:-								
Depreciation	2,377	2,471	1,868	1,387	475	172	4,720	4,030
Capital expenditure	2,579	3,142	370	825	1,723	83	4,672	4,050
ASSETS								
Segment assets	62,328	97,064	46,285	45,270	3,052	1,674	111,665	144,008
Unallocated corporate assets							10,908	15,854
Total assets							122,573	159,862
LIABILITIES								
Segment liabilities	50,501	49,597	14,357	40,267	2,130	1,065	66,988	90,929
Unallocated corporate liabilities							533	620
Total liabilities							67,521	91,549

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

35. SEGMENT INFORMATION (CONTINUED)

35.2 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.

	2009			2008		
	Revenue $'000	Carrying amount of segment assets $'000	Capital expenditure $'000	Revenue $'000	Carrying amount of segment assets $'000	Capital expenditure $'000
China (inclusive Hong Kong)	142,567	1,175	-	72,824	2,958	-
Singapore	98,364	116,925	4,672	115,380	152,248	4,050
Bangladesh	6,659	-	-	4,928	-	-
India	25,986	3,103	-	22,489	1,845	-
Indonesia	13,008	-	-	22,985	375	-
Malaysia	6,707	-	-	18,199	-	-
Japan	11,874	-	-	2,419	-	-
Taiwan	719	-	-	879	-	-
Sri Lanka	4	-	-	206	-	-
Others *	11,661	1,370	-	42,372	2,436	-
	317,549	122,573	4,672	302,681	159,862	4,050

* Includes Belgium, Brazil, Canada, Egypt, Greece, Netherland, Israel, Italy, Korea, Myanmar, Nepal, New Zealand, Pakistan, Switzerland, Sweden, Turkey, Thailand, UAE, United Kingdom, USA, and Vietnam.

36. SUBSEQUENT EVENT

Subsequent to the financial year, the Group has completed the sale of a property known as 4 Pioneer Sector 1, Singapore 628605 for a total consideration of $2,350,000.

37. DERIVATIVE FINANCIAL INSTRUMENTS

	Group		
	Contract notional amount	Fair value	
		Asset	Liability
	2009 $'000	2009 $'000	2009 $'000
Non-hedging instruments:-			
Currency forward contract	29,090	-	966*

* Included in trade payables (Note 22).

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

38. 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 contracts 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 Management Team 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.

	SGD	USD	EUR	MYR	IDR	Total
At 30 June 2009	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets						
Cash and bank balances	13,904	18,128	-	-	-	32,032
Financial assets, available-for-sale	-	-	-	-	2,331	2,331
Trade and other receivables	9,526	6,914	-	-	-	16,440
	23,430	25,042	-	-	2,331	50,803
Financial liabilities						
Trade and other payables	10,175	2,485	13	-	-	12,673
Borrowings	17,479	27,122	-	-	-	44,601
	27,654	29,607	13	-	-	57,274
Net financial (liabilities) / assets	(4,224)	(4,565)	(13)	-	2,331	(6,471)

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

38. FINANCIAL RISK AND MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) Currency risk (continued)

At 30 June 2008	SGD $'000	USD $'000	EUR $'000	MYR $'000	IDR $'000	Total $'000
Financial assets						
Cash and bank balances	15,001	15,401	-	-	-	30,402
Financial assets, available-for-sale	-	-	-	-	6,728	6,728
Trade and other receivables	18,279	9,586	-	-	-	27,865
	33,280	24,987	-	-	6,728	64,995
Financial liabilities						
Trade and other payables	20,470	305	46	9	-	20,830
Borrowings	11,267	42,778	-	-	-	54,045
	31,737	43,083	46	9	-	74,875
Net financial (liabilities) / assets	(1,543)	(18,096)	(46)	(9)	6,728	(9,880)

If the USD and IDR change against the SGD by 6% and 7% (2008: 5% and 5%), respectively with all other variables including tax rate being held constant, the effects arising from the net financial assets / liabilities portion will be as follows:-

	2009 Increase / (Decrease)		2008 Increase / (Decrease)	
	Profit after tax $'000	Equity $'000	Profit after tax $'000	Equity $'000
USD against SGD				
- Strengthened	(439)	(439)	(742)	(742)
- Weakened	439	439	742	742
IDR against SGD				
- Strengthened	-	140	-	336
- Weakened	-	(140)	-	(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. The Group monitors the fluctuation of the prices of these securities on a regular basis.

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

38. FINANCIAL RISK AND MANAGEMENT (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 and the Company have cash balances placed with reputable banks. The Group and the Company also manages its interest rate risks on its interest income by placing the cash balances in varying maturities and interest rate terms.

The tables below set out the Group's and the Company's exposure to interest rate risks. Included in the tables are the assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

Group	Variable rates	Fixed rates			
	Less than 12 months $'000	Less than 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
At 30 June 2009					
Assets					
Cash and cash equivalents	4,013	-	-	-	4,013
Liabilities					
Borrowings	10,198	31,613	2,484	306	44,601

	Variable rates	Fixed rates			
	Less than 12 months $'000	Less than 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
At 30 June 2008					
Assets					
Cash and cash equivalents	9,882	-	-	-	9,882
Liabilities					
Borrowings	4,859	45,125	3,797	264	54,045

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

38. FINANCIAL RISK AND MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risk (continued)

Company	Variable rates	Fixed rates			
	Less than 12 months $'000	Less than 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
At 30 June 2009					
Assets					
Cash and cash equivalents	4,013	-	-	-	4,013
Liabilities					
Borrowings	-	39	-	-	133

	Variable rates	Fixed rates			
	Less than 12 months $'000	Less than 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
At 30 June 2008					
Assets					
Cash and cash equivalents	5,121	-	-	-	5,121
Liabilities					
Borrowings	-	94	39	-	133

The Group's and the Company's borrowings at variable rates on which effective hedges have not been entered into, are denominated mainly in SGD. The sensitivity analysis for changes in interest rate is not disclosed as the effect on the income statement is considered not significant.

(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 receivable of the Group does not represents more than 5% of the total trade receivables.

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

38. FINANCIAL RISK AND MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

	Group	
	2009	2008
	$'000	$'000
By Geographical areas		
Singapore	9,576	16,373
People's Republic of China	1,175	2,179
India	3,103	1,812
Indonesia	-	358
Vietnam	-	1,186
Other countries	1,370	4,734
	15,224	26,642

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

Bank deposits that are neither past due nor impaired are mainly deposits with creditworthy financial institutions. 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 nor impaired amounted to $13,056,000 (2008, $23,567,000).

(ii) Financial assets that are past due and / nor 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 as at the reporting date is as follows:-

	Group	
	2009	2008
	$'000	$'000
Past due 0 to 3 months	1,220	960
Past due 4 to 6 months	643	335
Past due exceeded 6 months	305	1,780
	2,168	3,075

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

38. FINANCIAL RISK AND MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(ii) Financial assets that are past due and/nor impaired (continued)

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

	Group 2009 $'000	Group 2008 $'000
Gross amount	439	539
Less: Allowance for impairment	(439)	(539)
	-	-
At beginning of financial year	539	629
Allowance made	48	433
Allowance utilised	(80)	(523)
Allowance reversed	(68)	-
At end of financial year	439	539

(c) Liquidity risk

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

	Less than 1 year $'000	Between 1 to 2 years $'000	Between 2 to 5 years $'000	Over 5 years $'000
Group				
At 30 June 2009				
Trade and other payables	12,673	-	-	-
Borrowings	41,811	1,193	1,291	306
At 30 June 2008				
Trade and other payables	20,830	-	-	-
Borrowings	49,984	1,348	2,449	264

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.

The fair value of the non-current loans for disclosure purposes is $2,578,000 (2008: $3,670,000). This is calculated based on the present value of future principal and interest cash flow, discounted at the market rate of interest at the reporting date.

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

38. FINANCIAL RISK AND MANAGEMENT (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 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% (2008: 150%). The Group's strategies, which were unchanged from 2008, are to maintain gearing ratios not exceeding 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	
	2009	**2008**
	$'000	**$'000**
Net debt	25,242	44,473
Total equity	55,051	68,313
Total capital	80,293	112,786
Gearing ratio	31%	39%

(e) Fair value of financial assets and financial liabilities

The carrying values of current financial assets and financial liabilities, including cash and bank balances, 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.

39. COMPARATIVE FIGURES

The operating lease commitments in the prior year's financial statements have been changed to include the future minimum lease payables under non-cancellable operating leases relating to the properties under sale and leaseback.

The operating lease commitments in prior year were changed as follows:-

	As previously reported	As amended
	$'000	**$'000**
Not later than one year	2,003	4,824
Later than one year and not later than five years	4,479	15,389
Later than five years	9,849	4,323
	16,331	24,536

Shareholding Statistics

Issued and fully paid	:	SGD30,126,619
Number of shares	:	351,480,250 Ordinary shares
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share

Distribution of shareholdings as at 15 September 2009

Size of shareholdings			No. of shareholders	%	No. of Shares	%
1	-	999	69	3.56	2,550	0.00
1,000	-	10,000	739	38.07	5,204,000	1.48
10,001	-	1,000,000	1,118	57.60	81,283,400	23.13
1,000,001 and above			15	0.77	264,990,300	75.39
Total			1,941	100.00	351,480,250	100.00

Twenty largest shareholders as at 15 September 2009

No.	Name of shareholders	No. of shares	%
1	Ang Yu Seng	114,373,674	32.54
2	Ang Yew Lai	47,171,050	13.42
3	Hong Leong Finance Nominees Pte Ltd	36,048,000	10.26
4	Ang Yew Chye	24,857,526	7.07
5	Super Coffeemix Manufacturing Ltd	16,111,000	4.58
6	Lim & Tan Securities Pte Ltd	5,005,000	1.42
7	UOB Kay Hian Pte Ltd	4,981,000	1.42
8	Lian Bee Metal Pte Ltd	3,382,000	0.96
9	OCBC Securities Private Ltd	2,792,020	0.79
10	United Overseas Bank Nominees Pte Ltd	2,075,010	0.59
11	Seah Kiok Leng	2,000,000	0.57
12	Cheng Buck Poh @ Chng Bok Poh	1,834,000	0.52
13	CIMB-GK Securities Pte. Ltd.	1,730,020	0.49
14	Kim Eng Securities Pte. Ltd.	1,480,000	0.42
15	Chong Hock Ping	1,150,000	0.33
16	Qiu Qianliang	1,000,000	0.29
17	Khoo Chee Chow	894,000	0.26
18	Phillip Securities Pte Ltd	891,220	0.26
19	Lau Eng Tiong	859,000	0.24
20	Phua Hua Seng	850,000	0.24
	Total:	269,484,520	76.67

Based on the information available to the Company as at 15 September 2009, approximately 46.72% of the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

Shareholding Statistics

Substantial Shareholders

	Direct Interest	%
Ang Yu Seng	114,373,674	32.54
Ang Yew Lai	47,171,050	13.42
Ang Yew Chye	24,857,526	7.07

Distribution of warrantholdings as at 15 September 2009

Size of warrantholdings			No. of warrantholders	%	No. of Warrants	%
1	-	999	7	1.09	2,813	0.01
1,000	-	10,000	416	64.69	2,293,400	3.53
10,001	-	1,000,000	213	33.13	12,238,388	18.81
1,000,001 and above			7	1.09	50,511,449	77.65
Total			643	100.00	65,046,050	100.00

Twenty largest warrantholders as at 15 September 2009

No.	Name of warrantholders	No. of Warrants	%
1	Ang Yu Seng	22,874,734	35.17
2	Ang Yew Lai	9,434,210	14.50
3	Goi Seng Hui	5,640,000	8.67
4	Ang Yew Chye	4,618,905	7.10
5	Super Coffeemix Manufacturing Ltd	4,000,000	6.15
6	CIMB-GK Securities Pte. Ltd.	2,696,000	4.14
7	Kim Eng Securities Pte. Ltd.	1,247,600	1.92
8	Lim & Tan Securities Pte Ltd	1,000,000	1.54
9	UOB Kay Hian Pte Ltd	816,800	1.26
10	United Overseas Bank Nominees Pte Ltd	802,600	1.23
11	Loh Poh Lim	530,000	0.81
12	Quah Ban Huat	393,000	0.60
13	Seah Kiok Leng	373,000	0.57
14	Tan Jui Yak	356,000	0.55
15	Koh Wan Tiong	280,000	0.43
16	Tan Hui Kiang	270,000	0.42
17	Quek Kwang Hok	239,000	0.37
18	OCBC Securities Private Ltd	186,800	0.29
19	Phua Hua Seng	174,000	0.27
20	Lau Eng Tiong	171,800	0.26
	Total:	56,104,449	86.25

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of **UNION STEEL HOLDINGS LIMITED** will be held at 33 Pioneer Road North Singapore 628474 on Thursday, 22 October 2009 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 2009 and the Reports of the Directors and Auditors and the Statement by Directors thereon. [Resolution 1]

2. To approve the payment of Directors' Fees of $107,400 for the financial year ended 30 June 2009. (2008: $105,000) [Resolution 2]

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

   (i) Mr Ang Yu Seng [Resolution 3]
   (ii) Mr Ang Yew Lai [Resolution 4]

   Mr. Ang Yu Seng will, upon re-election as Director of the Company, remain as a member of the Nominating Committee.

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

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

AS SPECIAL BUSINESS

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

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

"That pursuant to Section 161 of the Companies Act, Cap. 50 and 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 6]

Notice of Annual General Meeting

AS SPECIAL BUSINESS

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

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

By Order of The Board

HELEN CAMPOS
Company Secretary

Singapore
6 October 2009

Notes:

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

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

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

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

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

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

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

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

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UNION STEEL HOLDINGS LIMITED

Co. Reg No. 200410181W

(Incorporated in the Republic of Singapore)

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:

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

*I/We ....

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)

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

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 22 October 2009 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 2009 together with the Auditors' Report thereon.		
2	Approval of Directors' Fees of $107,400 for the financial year ended 30 June 2009.		
3	Re-election of Mr Ang Yu Seng retiring pursuant to Article 91 of the Company's Articles of Association.		
4	Re-election of Mr Ang Yew Lai retiring pursuant to Article 91 of the Company's Articles of Association.		
5	Re-appointment of Messrs LTC LLP as Auditors of the Company and authorisation of Directors to fix their remuneration.		
6	Authority to Directors to allot and issue new shares.		
7	Authority to grant options and issue shares under The UNION STEEL HOLDINGS Employee Share Option Scheme.		

Dated this .... day of 2009

Total number of Shares Held

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

* Delete accordingly

FOLD HERE FOR SEALING

PLEASE
AFFIX 25
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 authorised 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 authorised.
6. A corporation which is a member may also authorise 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.

UNION STEEL HOLDINGS LIMITED
33 Pioneer Road North Singapore 628474
Co Reg. No.: 200410181W
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Fax: (65) 6862 9833

www.unionsteel.com.sg