UNION STEEL HOLDINGS LIMITED

友联钢铁控股有限公司

ANNUAL REPORT 2010

UNION STEEL HOLDINGS LIMITED ANNUAL REPORT 2010

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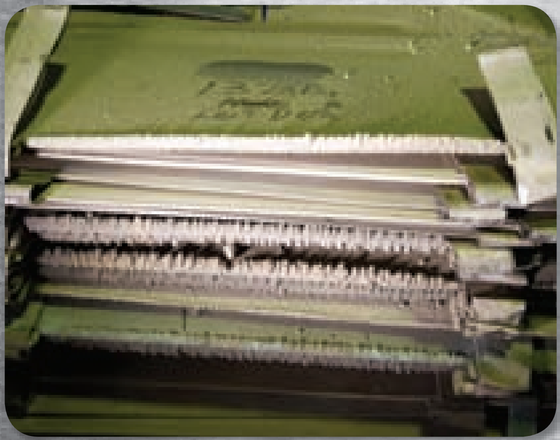

  

SEEING **POSSIBILITIES** SEIZING **OPPORTUNITIES**

At Union Steel, we meet challenges with a positive attitude. During the weak operating environment in the last two years, we have fortified the organization and become more resilient. Going forward, we continue to overcome our challenges by staying flexible and responsive to volatile market conditions. We choose to see possibilities rather than difficulties. We choose to see and seize opportunities in adversity.

CORPORATE PROFILE

YOUR LEADING ONE-STOP CENTER FOR FERROUS AND NON-FERROUS SCRAP METALS RECYCLING AND TRADING OF STEEL AND NON-FERROUS PRODUCTS TO CUSTOMERS WORLDWIDE

Founded in 1984, Union Steel Holdings Limited and its subsidiaries ("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 and rental of steel plates.

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 and non-ferrous metal products. The Group has received several awards including the Enterprise 50 Award in 2003 and 2004, Fastest Growing 50 Certification and ranked among the top small and medium enterprises in the annual Singapore 500 Small Medium Enterprises in 2004. It was awarded Singapore 1000 – Sales Turnover Growth Excellence Award in 2009. More recently, it achieved Singapore International 100 Company status in 2010.

The Group delivers high product quality and reliable customer service to a global network that spans over a thousand suppliers and customers in 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.

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 to 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 the 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, aluminum, 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 a wide range of steel products such as reinforcement steel bars, H-beams, I-beams, pipes, steel plates, sheet piles and wire rods to our customers. The quality of our steel products adhere 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 neighboring countries.

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

Other Business

In Other Business, the Group is involved in the waste collection and management, demolition works and rental of steel plates.

We are licensed by the National Environmental Agency (NEA) of Singapore to collect general waste and to provide asbestos waste removal and disposal services. As a registered contractor with Building and Construction Authority (BCA) under CR03, Demolition, we demolish buildings and dismantle machinery and other structures containing scrap metals. We also engage in the rental of steel plates mainly to construction companies. 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.


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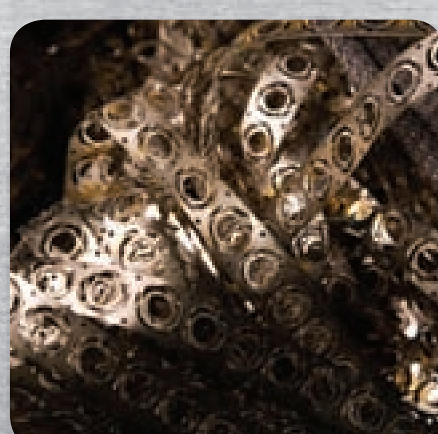


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CORPORATE STRUCTURE

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 and Singapore 1000 Company awards by DP Information Networks Pte Ltd in 2004 and 2010 respectively.

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 waste and the trading of prime stainless steel, aluminum and coating steel.

In 2009, Union Steel Pte Ltd was awarded the Global Trader Program (GTP) status by IE Singapore; this prestigious status is awarded to selected high-growth middle sized international trading companies based on criteria such as company's turnover and business spending. This has allowed Union Steel Pte Ltd to enjoy concessionary tax rate on income from trading of non-ferrous scrap and base metals.

Union Steel Pte Ltd is also an ISO 9001:2008 and 14001:2004 accredited company that 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, following the successful acquisition of the remaining 35% stake in the company on 20th July 2010, is now a wholly owned subsidiary of Union Steel Holdings Limited. It is currently an investment holding company for property investments.

CHAIRMAN'S STATEMENT

"We are committed to do our best to manage these challenges while keeping a keen eye on opportunities. We will stay focused; improving our operating and cash flow efficiencies and preserving our profitability are key priorities."

Dear Shareholders,

On behalf of the Board, I am pleased to present our Annual Report for the financial year ended 30 June 2010.

I am glad to report that Union Steel is firmly in the black once more. Despite a challenging market in FY 2010, Union Steel achieved a net profit of S$4.0 million, reversing the previous year's net loss of S$6.0 million. This was largely achieved on the back of our conscious efforts to maintain a flexible and responsive organization as well as a concerted effort by all in the organization to contain and reduce expenses.

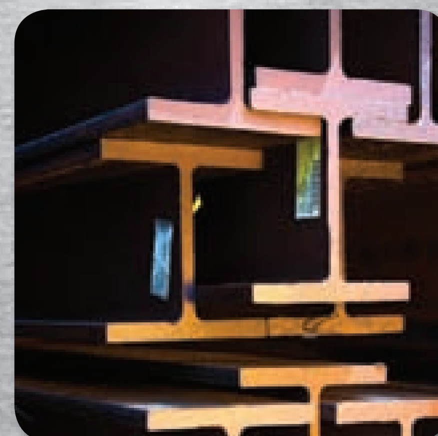
In January 2010, we obtained shareholders' approval for the share buyback scheme and the staff performance share scheme. We are glad to have our shareholders' support for these schemes. A share buyback scheme will provide us with flexibility over our capital structure to enhance our return on equity and therefore increase shareholder value in the long run. Our staff performance scheme seeks to further align the interests of our non-executive directors (inclusive of independent directors) and key management personnel with the interests of Union Steel. We believe that such a scheme will encourage them to aspire towards higher standards of performance, create a stronger sense of ownership and also help us retain good people.

In July 2010, we also acquired the remaining 35% of our subsidiary Lim Asia Steel Pte Ltd, making it a wholly-owned subsidiary. We have since restructured the company and reduced its losses. Lim Asia is a strategic investment for us as it owns four buildings which were completed and tenanted in 2010.

Financial and Business Review

The global market for metals continued to be marked by volatility in prices and demand. Group revenue declined 59%, from S$317.5 million to S$130.1 million. Our metals recycling business which accounted for 72% of group revenue was adversely impacted by lower exports of non-ferrous metals to China in the second half of our financial year. Our trading business which accounted for 24% of group revenue continued to face stiff competition and pressure on prices and margins in the local steel trading market. Other Businesses accounted for the remaining 4% of group revenue. Revenue from other Businesses, namely waste collection and management, demolition works and rental of steel plates were affected by lower demand.

In contrast, group gross profit edged marginally lower to S$11.2 million from S$12.2 million previously. Gross margins had risen 4.8 percentage points to 8.6%, mainly a result of lower cost of goods sold, a higher-margin product mix and higher selling prices. The Group was able to take advantage of the volatility in metal prices; we were able to reduce our higher cost inventories that were bought earlier and replenished with new inventory at competitive prices.



Through exercising prudence and restraint, we also managed to reduce total expenses from S$32.4 million to S$18.8 million by trimming our overheads and reducing our foreign exchange and impairment losses on investment and inventories. As a result, profit from operations was S$5.1 million compared to a loss from operations of S$3.9 million in the previous year.

Finance costs also halved to S$1.1 million due to lower interest rates. Consequently, pretax profit surged to $4.0 million for the year ended 30 June 2010, reversing from a pretax loss of S$5.9 million.

Our financial position remains healthy. As at 30 June 2010, we have cash and cash equivalents of $18.2 million while our total borrowings amounted to S$46.6 million.

The directors will not be recommending a dividend for financial year 2010. Although the Group has now returned to the black, we must continue to be prudent and vigilant in preserving our cash flow given the still difficult operating conditions.

Yet another challenging year ahead

The outlook for the metal markets remain clouded by the uncertain world economic recovery and growth prospects — metal prices and demand are likely to stay volatile. Locally, we also face intense competition and continued pressure on margins in our trading business. As such, our operating environment will remain tough.

Nonetheless, we are committed to do our best to manage these challenges while keeping a keen eye on opportunities. We will stay focused; improving our operating and cash flow efficiencies and preserving our profitability are key priorities. We will also leverage on opportunities in the volatile markets by remaining vigilant and agile while at the same time, continue to seek out new opportunities and expand our businesses in the metals and steel-related industries.

Words of Appreciation

On behalf of the Board, I would like to express our heartfelt appreciation to you, our shareholders, for your constant confidence and support for Union Steel throughout these challenging times. I am also thankful to our valued customers, suppliers, bankers and business partners for their continued support. I am grateful to the management and staff for their perseverance and hard work in steering the Group to profitability last year. I would also like to thank our Board of Directors for their invaluable counsel and guidance.

Mr. Ang Yu Seng (洪友成),
Executive Chairman and Chief Executive Officer

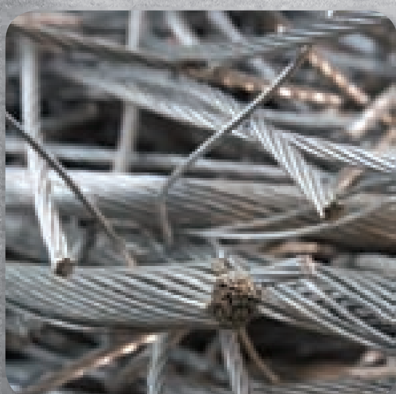
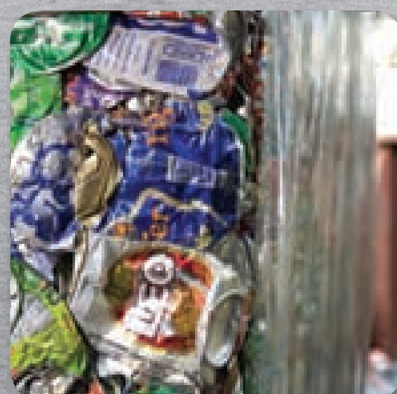
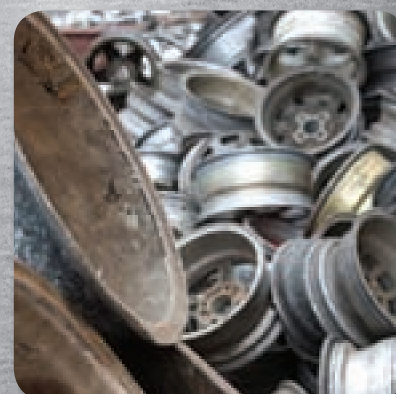
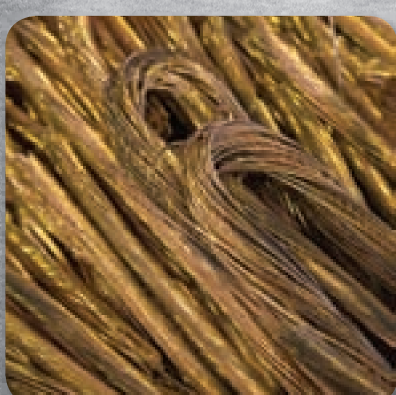
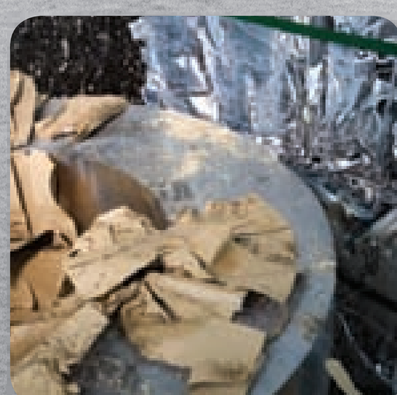
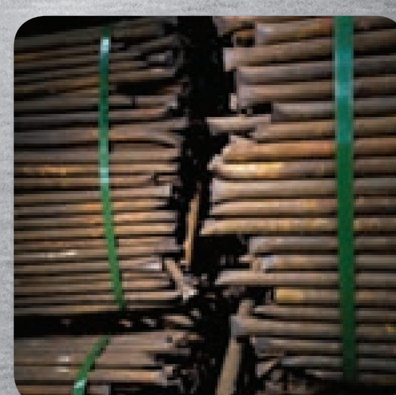
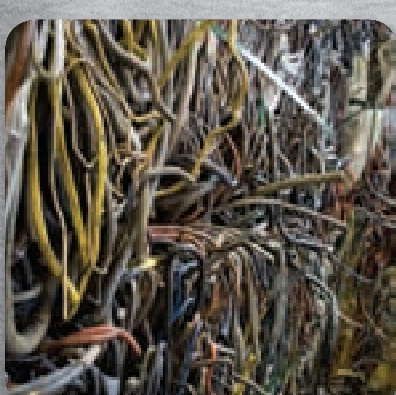
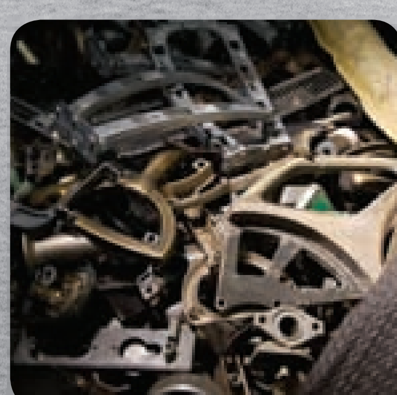
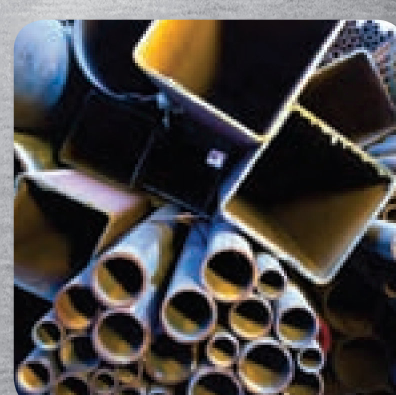
OUR PROCESS


Procurement & Collection
METAL RECYCLING PROCESS
Sorting & Segregation
Shearing & Baling
Quality Control, Packing & Storage

OUR PRODUCTS

REUSABLE METALS

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

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 has over 25 years of experience in the scrap metal recycling and steel trading businesses and is 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 metal 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 and trading of prime stainless steel, aluminum and coating steel. Mr Ang has over 20 years of experience in the business of scrap metal recycling.

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 is also responsible for 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 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

Ms Ang Siew Chin

Senior Operation Manager

Ms. Ang Siew Chin is responsible for the day-to-day operations of YLS Steel Pte Ltd. She is involved in the sourcing and supplying of steel products for construction projects, local and export sales and trading of ferrous scrap metal and the sales and marketing of steel products. Ms Ang was in charge of the Yard Scrap Business in Yew Lee Seng Metal Pte Ltd where she was the Operation Manager; she was promoted to her current position in December 2009.

Ms Sie Lay Yung

Group Financial Controller

Ms. Sie Lay Yung was appointed as Group Financial Controller in May 2010. She is responsible for the corporate finance, accounting and treasury functions of the Group. Prior to joining Union Steel Holdings, she was the Group Finance Manager of Eastern Holdings Ltd. Ms Sie has more than 20 years of experience in accounting and audit in various industries. She is a Certified Public Accountant with the Institute of Certified Public Accountants of Singapore and holds a Diploma in Human Resource Management.

Ms Christine Qiu

Sales & Marketing Manager

Ms. Christine Qiu is responsible for the trading of non-ferrous scrap metals such as aluminum, 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 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 of 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.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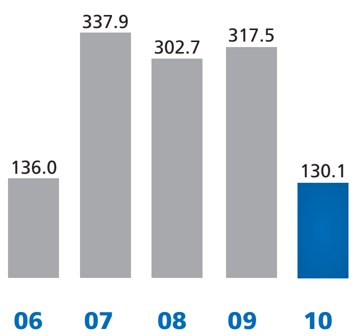
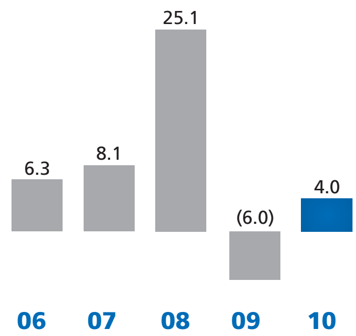
FINANCIAL HIGHLIGHTS

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Group Turnover (S$'million)	136.0	337.9	302.7	317.5	130.1
Group PAT/(LAT) (S$'million)	6.3	8.1	25.1	(6.0)	4.0
Group Gross Margin (%)	13.2	6.5	10.4	3.8	8.6
Group EPS/(LPS) (cents)	1.9	2.3	7.2	(1.7)	1.1
Group NTA (cents)	11.9	13.6	19.7	15.7	16.8

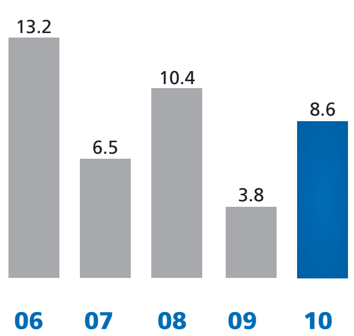
Group Turnover
(S$'million)



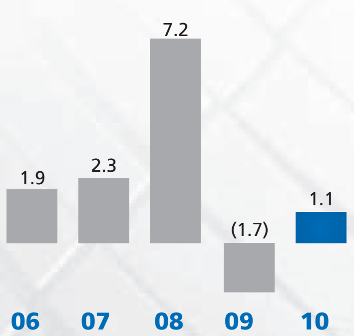
Group PAT
(S$'million)



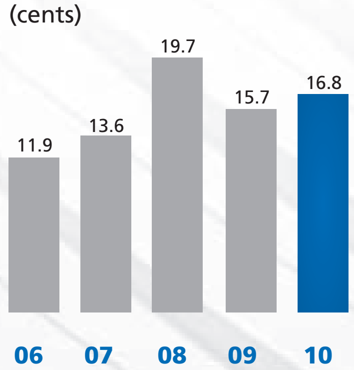
Group Gross Margin
(%)



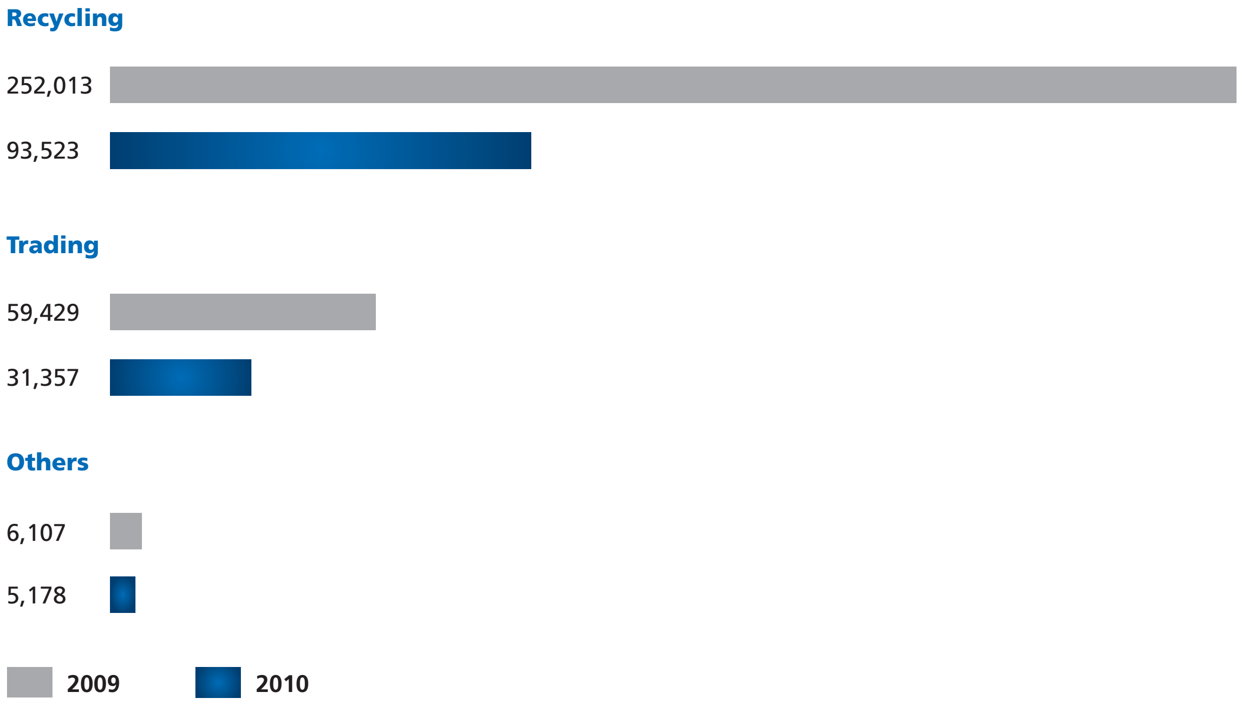
Group EPS
(cents)



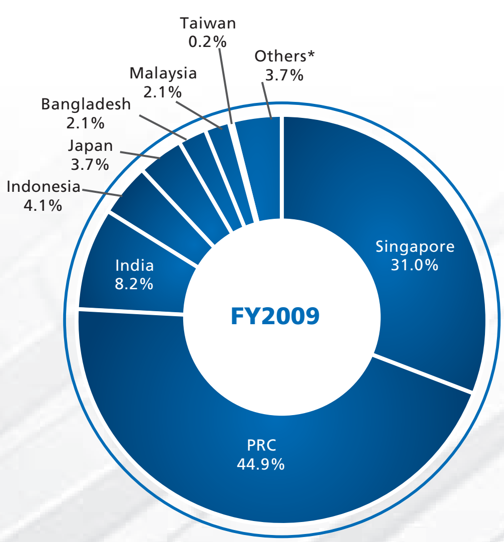
Group NTA
(cents)

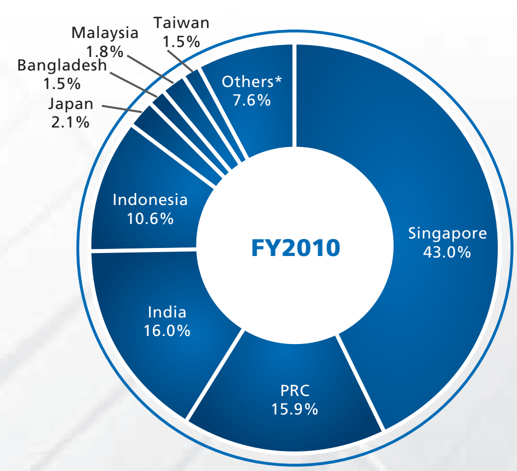


Group Segment Revenue
(S$'000)



Group Revenue by Geographical Region





* 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 Assocn Building
Singapore 069541

REGISTERED OFFICE
33 Pioneer Road North
Singapore 628474

SHARE REGISTER
BACS Private Limited
63 Cantonment Road
Singapore 089758

INDEPENDENT AUDITOR
LTC LLP
1 Raffles Place
#20-02 One Raffles Place
Singapore 048616

AUDIT PARTNER-IN-CHARGE
Lim Boon Cheng
(Appointed on 18 April 2008)

PRINCIPAL BANKERS
Overseas-Chinese Banking Corporation Limited
Standard Chartered Bank
The Hong Kong and Shanghai Banking Corporation Limited
United Overseas Bank Limited
DBS Bank Ltd
Maybank
Bangkok Bank Public Company Limited

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

FINANCIAL CONTENTS

STATEMENT OF 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 (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 shareholders' 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:-

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

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.

STATEMENT OF CORPORATE GOVERNANCE

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.

Apart from statutory responsibilities, the Board also decides on significant acquisitions, disposals and financing proposals, reviews and approves the Group's corporate policies, and monitors the performance of the Group. These functions are carried out either directly or through Board Committees like the Audit Committee, the Nominating Committee and the Remuneration Committee or by Management through their executive mandate in the Group.

The following table discloses the number of meetings held for Board and Board Committees and the attendance of all Directors for the financial year ended 30 June 2010.

	Board		Audit Committee		Nominating Committee		Remuneration Committee	
Name	**No. of meetings held**	**No. of meetings attended**	**No. of meetings held**	**No. of meetings attended**	**No. of meetings held**	**No. of meetings attended**	**No. of meetings held**	**No. of meetings attended**
Ang Yu Seng	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	4	4	NA	NA	1	1
Chang Yeh Hong	4	4	4	4	1	1	1	1
Siau Kai Bing	4	4	4	4	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 in this Annual Report under the heading "Board of Directors".

STATEMENT OF CORPORATE GOVERNANCE

Principle 3: Roles of Chairman and Chief Executive Officer

Mr Ang Yu Seng is both the Chairman and Chief Executive Officer ("CEO") of the Company. The Board is of the view that the discharge of responsibilities in these two roles by the same person will not be compromised as there is a strong independent element on the Board. All major decisions made by the Chairman and CEO are reviewed by the Audit Committee. His performance and effectiveness are periodically assessed by the Nominating Committee and his remuneration is also periodically reviewed by the Remuneration Committee. As such, the Board is of the opinion that there is an adequate balance of power and safeguards in place against an uneven concentration of authority in a single individual.

His responsibility includes setting of 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.

Principle 4: Board Membership

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

Mr. Siau Kai Bing	NC Chairman and Independent Director
Mr. Ang Yu Seng	Executive Chairman/CEO
Mr. Chang Yeh Hong	Independent 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.

STATEMENT OF CORPORATE GOVERNANCE

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 Siau Kai Bing and Mr Chan Kok Poh.

The NC is also satisfied that the current directors, despite 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 reviews and evaluates 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.

STATEMENT OF CORPORATE GOVERNANCE

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:

Mr. Chan Kok Poh	RC Chairman and Independent Director
Mr. Chang Yeh Hong	Independent Director
Mr. Siau Kai Bing	Independent 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;
- To review the appropriateness of compensation for Non-Executive Directors; 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 when specifically requested by the RC to assist in its deliberations.

The RC's review covers all aspects of remuneration, including but not limited to 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, subject to the approval by shareholders at the Annual General Meeting.

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

STATEMENT OF 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 2010 to each individual director of the Company is as follows:

Remuneration Band and Name of Director	Salary (%)	Bonuses (%)	Director's fee (%)	Allowances and Other Benefits (%)	Total Compensation (%)
$250,000 to below $500,000					
Ang Yu Seng	59	26	–	15	100
Ang Yew Lai	58	23	–	19	100
Ang Yew Chye	62	17	–	21	100
Below $250,000					
Chan Kok Poh	–	–	100	–	100
Chang Yeh Hong	–	–	100	–	100
Siau Kai Bing	–	–	100	–	100

Immediate Family Members of Directors or Substantial Shareholders

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 2010 exceeded $150,000.

Remuneration of Key Executives

The gross remuneration received by each of the top 4 executives (excluding Directors) is as follows:

Remuneration Band	Number of Executives
Below $250,000	**4**

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 "ESOS") administered by the RC. The ESOS 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 2010.

On 11 February 2010, the Company adopted a performance share scheme known as Union Steel Performance Share Scheme (the "Scheme") which is administered by the RC. During the financial year, there were no shares awarded to any person under the Performance Share Scheme.

STATEMENT OF CORPORATE GOVERNANCE

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

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

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

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

Principle 11: Audit Committee

The Audit Committee ("AC") comprises entirely of independent non-executive directors. As at the date of this report, the Audit Committee comprises the following members:

Mr. Chang Yeh Hong	AC Chairman and Independent Director
Mr. Siau Kai Bing	Independent Director
Mr. Chan Kok Poh	Independent 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 AC 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 independent auditor;
- To review the assistance given by the Company's officers to both the internal and independent auditor;
- To review the independence and objectivity of the independent auditor annually;
- To nominate independent auditor for re-appointment;
- To review the financial statements of the Company and the Group including quarterly, half-year and full-year results and the respective announcements before submission to the Board of Directors;

STATEMENT OF CORPORATE GOVERNANCE

- To give due consideration to the requirements of Stock Exchange Listing Rules; and

- To review interested person transactions, if any.

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 independent auditor 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 independent auditor at the forthcoming Annual General Meeting.

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.

STATEMENT OF CORPORATE GOVERNANCE

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.

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 independent auditor is 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. A 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.

STATEMENT OF CORPORATE GOVERNANCE

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 2010

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 2010 and the statement of financial position of the Company as at 30 June 2010 and the statement of changes in equity of the Company for the financial year then ended.

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 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	24,857,526	24,957,526	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	120,000	120,000	–	–

There was no change in the above-mentioned directors' interests between the end of the financial year and 21 July 2010.

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 interests in all the related corporations of the Group.

REPORT OF THE DIRECTORS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

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 as disclosed 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 "ESOS"), 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 ESOS 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. Performance Share Scheme

On 11 February 2010, the Company has adopted a performance share scheme known as Union Steel Performance Share Scheme (the "Scheme"), whereby eligible participants are conferred rights by the Company to be issued or transferred shares (hereinafter referred to as "Awards").

The rationale of the Scheme is to provide an opportunity for the non-Executive Directors including Independent Directors and key management personnel and eligible employees of our Group to participate in the equity of the Company so as to motivate them to dedication, loyalty and higher standards of performance, and to give recognition to employees of our Group who have contributed to the success of the Group and cultivate a culture of ownership. The Participants are not required to pay for the grant of Awards or for the shares allotted or allocated pursuant to an Award. Both the ESOS and the Scheme are intended to complement each other in the Group's continuing efforts to reward, retain and motivate participants to achieve better performance.

The Scheme is also administered by the Remuneration Committee.

During the financial year, there were no shares awarded to any person under the Scheme.

REPORT OF THE DIRECTORS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

7. 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 2010 are as follows:–

Date of grant of warrants	Exercise price per share	Warrants outstanding at 1 July 2009	Warrants granted	Warrants exercised	Warrants outstanding at 30 June 2010	Exercise period
15 April 2008	$0.12	65,058,050	–	(12,000)	65,046,050	15 April 2008 to 14 April 2011

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

8. 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 four times since the last Annual General Meeting (“AGM”) and reviewed:–

(a) the independent auditor’s audit plan, and the results of the independent auditor’s examination and evaluation of the Group’s system of internal controls;

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

(c) the quarter, half year and annual announcements on the results and financial position of the Company and the Group before submission to the Board of Directors for approval;

(d) the statement of financial position and the statement of changes in equity of the Company and the consolidated financial statements of the Group and the independent auditor’s report on these financial statements before submission to the Board of Directors for approval;

(e) interested person transactions, if any;

(f) the independence and objectivity of the independent auditor; and

(g) the co-operation given by the management to the independent auditor.

REPORT OF THE DIRECTORS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

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 auditor has unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of LTC LLP for re-appointment as independent auditor of the Group at the forthcoming Annual General Meeting.

9. Independent auditor

The independent auditor, LTC LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors,

Ang Yu Seng
Director

Ang Yew Lai
Director

Singapore, 24 September 2010

STATEMENT BY DIRECTORS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

In the opinion of the directors,

(a) the statement of financial position and the statement of changes in equity of the Company and the consolidated financial statements of the Group as set out on pages 35 to 96 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 2010 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, 24 September 2010

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF UNION STEEL HOLDINGS LIMITED
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

We have audited the accompanying financial statements of Union Steel Holdings Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 35 to 96 which comprise the statements of financial position of the Company and of the Group as at 30 June 2010, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 control 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 consolidated statement of comprehensive income and statements of financial position and to maintain accountability of assets;

(b) selecting and applying appropriate accounting policies; and

(c) making accounting estimates that are reasonable in the circumstances.

Auditor's 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 as to 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 AUDITOR'S REPORT

TO THE MEMBERS OF UNION STEEL HOLDINGS LIMITED
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

Opinion

In our opinion,

(a) the statement of financial position and the 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 2010 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, 24 September 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Note	2010 $'000	2009 $'000
Revenue	5	**130,058**	317,549
Cost of sales		**(118,855)**	(305,392)
Gross profit		**11,203**	12,157
Other income	6	**12,632**	16,335
Distribution and marketing expenses		**(1,375)**	(5,656)
Administrative expenses		**(8,812)**	(9,311)
Other operating expenses	7	**(8,571)**	(17,435)
Finance expenses	8	**(1,054)**	(2,005)
Profit/(loss) before income tax	9	**4,023**	(5,915)
Income tax	10	**20**	(113)
Net profit/(loss) for the year		**4,043**	(6,028)
Other comprehensive income:			
Fair value loss on financial assets, available-for-sale transferred to profit or loss on impairment		**–**	2,589
Total comprehensive income/(loss) for the year		**4,043**	(3,439)
Net profit/(loss) attributable to:			
Equity holders of the Company		**4,043**	(6,028)
Minority interests		**–**	–
		4,043	(6,028)
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		**4,043**	(3,439)
Minority interests		**–**	–
		4,043	(3,439)
Earnings/(loss) per share (cents)			
– Basic	11	**1.15**	(1.72)
– Diluted	11	**1.14**	(1.70)

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

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2010

		GROUP		COMPANY	
		2010	2009	2010	2009
	Note	$'000	$'000	$'000	$'000
ASSETS					
Current assets					
Cash and cash equivalents	12	**19,202**	32,032	**12,712**	6,194
Derivative financial assets	13	**2,796**	–	**–**	–
Trade and other receivables	14	**10,222**	16,440	**1,119**	1,063
Inventories	15	**62,315**	49,297	**–**	–
		94,535	97,769	**13,831**	7,257
Assets classified as held-for-sale	16	**1,697**	750	**–**	–
Total current assets		**96,232**	98,519	**13,831**	7,257
Non-current assets					
Goodwill	17	**1,237**	2,237	**–**	–
Property, plant and equipment	18	**13,772**	19,327	**97**	164
Investments in subsidiaries	19	**–**	–	**17,961**	17,961
Investment property	20	**8,500**	–	**–**	–
Golf club membership	21	**159**	159	**159**	159
Financial assets, available-for-sale	22	**1,376**	2,331	**1,376**	2,331
Deferred income tax assets	23	**175**	–	**15**	–
Total non-current assets		**25,219**	24,054	**19,608**	20,615
Total assets		**121,451**	122,573	**33,439**	27,872
LIABILITIES					
Current liabilities					
Trade and other payables	24	**7,863**	12,673	**518**	491
Bank loans and bills payable	25	**31,776**	41,060	**1,249**	–
Finance lease liabilities	26	**34**	751	**–**	39
Deferred gain on sale of properties	27	**2,074**	2,074	**–**	–
Current income tax liabilities		**260**	192	**–**	–
Total current liabilities		**42,007**	56,750	**1,767**	530

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

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2010

		GROUP		COMPANY	
		2010	2009	2010	2009
	Note	$'000	$'000	$'000	$'000
Non-current liabilities					
Bank loans	25	**14,805**	2,756	**3,411**	–
Finance lease liabilities	26	**–**	34	**–**	–
Deferred gain on sale of properties	27	**5,012**	7,086	**–**	–
Deferred income tax liabilities	23	**530**	895	**–**	–
Total non-current liabilities		**20,347**	10,771	**3,411**	–
Total liabilities		**62,354**	67,521	**5,178**	530
Net assets		**59,097**	55,052	**28,261**	27,342
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	28	**30,258**	30,256	**30,258**	30,256
Capital reserve	29	**1,914**	1,914	**1,914**	1,914
Retained earnings/(accumulated losses)		**26,925**	22,882	**(3,911)**	(4,828)
		59,097	55,052	**28,261**	27,342
Minority interests		**–**	–	**–**	–
Total equity		**59,097**	55,052	**28,261**	27,342

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 2010

	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							
2010							
Balance as at 1 July 2009	**30,256**	**1,914**	**–**	**22,882**	**55,052**	**–**	**55,052**
Total comprehensive income for the year	**–**	**–**	**–**	**4,043**	**4,043**	**–**	**4,043**
Issue of new shares on conversion of warrants	**2**	**–**	**–**	**–**	**2**	**–**	**2**
Balance as at 30 June 2010	**30,258**	**1,914**	**–**	**26,925**	**59,097**	**–**	**59,097**
2009							
Balance as at 1 July 2008	29,612	2,080	(2,589)	39,210	68,313	–	68,313
Total comprehensive income/(loss) 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

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 2010

	Share capital $'000	Capital reserve $'000	Fair value reserve $'000	(Accumulated losses)/ Retained earnings $'000	Total $'000
COMPANY					
2010					
Balance as at 1 July 2009	**30,256**	**1,914**	**–**	**(4,828)**	**27,342**
Total comprehensive income for the year	**–**	**–**	**–**	**917**	**917**
Issue of new shares on conversion of warrants	**2**	**–**	**–**	**–**	**2**
Balance as at 30 June 2010	**30,258**	**1,914**	**–**	**(3,911)**	**28,261**
2009					
Balance as at 1 July 2008	29,612	2,080	(2,589)	12,303	41,406
Total comprehensive income/(loss) for the year	–	–	2,589	(6,586)	(3,997)
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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	GROUP	
	2010	2009
	$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before income tax	**4,023**	(5,915)
Adjustments for: -		
Depreciation of property, plant and equipment	**4,111**	4,720
Gain on disposal of property, plant and equipment	**(1,920)**	(4,904)
Fair value gain on investment property	**(1,070)**	–
Amortisation of deferred gain on sale of properties	**(2,074)**	(2,074)
Property, plant and equipment written off	**–**	34
Finance expenses	**1,054**	2,005
Interest income	**(94)**	(151)
Impairment loss on trade receivables	**107**	48
Impairment loss in financial assets, available-for-sale	**955**	6,986
Impairment loss of goodwill	**1,000**	–
Net (reversal)/allowance for impairment loss in value of inventories	**(823)**	2,089
OPERATING CASH FLOWS BEFORE WORKING CAPITAL CHANGES	**5,269**	2,838
Changes in operating assets and liabilities:–		
Trade and other receivables	**6,111**	11,377
Inventories	**(12,332)**	19,091
Trade and other payables	**(4,810)**	(8,157)
CASH (USED IN)/GENERATED FROM OPERATIONS	**(5,762)**	25,149
Income tax paid	**(601)**	(4,469)
Income tax refund	**150**	3
Interest paid	**(1,054)**	(2,005)
Interest income received	**94**	151
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	**(7,173)**	18,829

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	GROUP	
	2010	2009
	$'000	$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment (Note A)	**(1,538)**	(2,704)
Purchase of investment property	**(5,966)**	–
Proceeds from disposal of property, plant and equipment	**2,816**	6,738
Derivative financial instruments	**(2,796)**	–
Placement of short-term deposits pledged with a bank	**–**	(1,000)
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	**(7,484)**	3,034
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares	**2**	478
Proceeds from issue of shares by a subsidiary to minority shareholders	**–**	245
Funds from bank loans	**25,253**	24,194
Decrease in bills payable	**(12,178)**	(13,772)
Repayment of bank loans	**(10,310)**	(17,647)
Repayment of finance lease liabilities	**(940)**	(2,559)
Dividend paid	**–**	(10,545)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	**1,827**	(19,606)
Net (decrease)/increase in cash and cash equivalents	**(12,830)**	2,257
Cash and cash equivalents at beginning of financial year	**31,032**	28,775
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR (Note 12)	**18,202**	31,032

Note A

During the year, the Group acquired property, plant and equipment with an aggregate cost of approximately $1,727,000 (2009: $4,672,000) of which $189,000 (2009: $1,968,000) were acquired by means of finance lease liabilities. Cash payment of about $1,538,000 (2009: $2,704,000) was made to purchase these property, plant and equipment.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

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 Securities Trading Limited and incorporated and domiciled in 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 are stated in Note 19 to the financial statements.

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 30 June 2010 were authorised for issue in accordance with a resolution of the directors on the date of the Statement by Directors.

2. 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 have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of 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. The financial statements are presented in Singapore Dollar ("SGD" or "$") and all values are rounded to the nearest thousand ($'000) except where indicated otherwise.

(b) Adoption of new and amended FRS

On 1 July 2009, the Group adopted the new or amended 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 following are the new or amended FRS and INT FRS that are relevant to the Group:

- FRS 1 (revised) *Presentation of financial statements* (effective from 1 January 2009). The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. All non-owner changes in equity are shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and the statement of comprehensive income). The Group has chosen to adopt the former alternative. Where comparative information is restated or reclassified, a restated statement of financial position is required to be presented as at the beginning comparative period. There is no restatement of the statement of financial position as at 1 July 2008 in the current financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) Adoption of new and amended FRS (Continued)

- FRS 108 *Operating segments* (effective from 1 January 2009).

  This FRS replaces FRS 14 *Segment reporting*, and requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. There had been no changes in the number of reportable segments presented. Segment revenue, segment profits and segment assets are also measured on a basis that is consistent with internal reporting.

- Amendment to FRS 107 *Improving disclosures about financial statements* (effective from 1 January 2009).

  The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures but does not have an impact on the accounting policies and measurement bases adopted by the Group.

2.2 Group accounting

(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 the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries. 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 entities are eliminated. Unrealised losses are also eliminated but are 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Group accounting (Continued)

(a) Subsidiaries (Continued)

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 interests 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.

Investments in subsidiaries are carried at cost less accumulated impairment losses in the Company's statement of financial position. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

(b) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets and contingent liabilities of the acquired subsidiaries at the date of acquisition.

Goodwill on subsidiaries is carried at cost less accumulated impairment losses.

Gains and losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the entity sold.

(c) Transactions 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 profit or loss. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 an item 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.

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 reporting date. The effects of any revision are recognised in profit or loss 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 profit or loss 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 profit or loss.

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 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Investment property

Investment property comprises leasehold land and building that is held for long term rental yields and/or for capital appreciation or for a currently indeterminate use.

Investment property is initially recognised at cost and subsequently carried at fair value, determined annually by independent professional valuers on the highest-and-best-use basis. Changes in fair values are recognised in profit or loss.

Investment property is subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are recognised in profit or loss. The cost of maintenance, repairs and minor improvements is recognised in profit or loss when incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

2.5 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 nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition. As at financial reporting date, the Group has loans and receivable and financial assets, available-for-sale.

(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 financial reporting date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables" and "cash and cash equivalents" on the statement of financial position.

(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 financial reporting date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Financial assets (Continued)

(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 profit or loss. Any amount in the fair value reserve relating to that asset is transferred to profit or loss.

(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 profit or loss. 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.

2.6 Impairment of assets

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

(a) Financial assets

The Group assesses at each financial reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(i) Loans and 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 profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

2.6 **Impairment of assets** (Continued)

(a) Financial assets (Continued)

(i) Loans and receivables (Continued)

The allowance for impairment loss account is reduced through profit or loss 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

In addition to the objective evidence of impairment described above, a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired.

If any evidence of impairment exists, the cumulative loss that was recognised in the fair value reserve is reclassified to profit or loss. 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 as expense. The impairment losses recognised as expense on equity securities are not reversed through profit or loss.

(b) Non-financial assets

(i) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

2.6 **Impairment of assets** (Continued)

(b) Non-financial assets (Continued)

(i) Goodwill (Continued)

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

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

(ii) Property, plant and equipment
Investments in subsidiaries

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 profit or loss.

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 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 profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Assets classified as held for sale

Assets are classified as assets held-for-sale and stated at 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.

2.8 Club membership

Club membership is stated at cost less any impairment in net recoverable value that has been recognised in profit or loss.

2.9 Inventories

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

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

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

2.10 Financial liabilities

Financial liabilities include trade payables, other payables, finance lease liabilities and loans and borrowings. Financial liabilities are recognised on the statement of financial position 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 presented as current liabilities unless the Group has an unconditional right to differ settlement for at least 12 months after the financial reporting date.

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 profit or loss over the period of the borrowings using effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process. The liabilities are derecognised when the obligation under the liability is discharged, cancelled or expired.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

2.11 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. 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 profit or loss as finance expense.

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

2.12 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 presentation in the consolidated statement of cash flows, cash and cash equivalents are presented net of pledged bank deposits.

2.13 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 statement of financial position.

Financial guarantees are subsequently amortised to profit or loss 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 in the Company's statement of financial position. Intra-group transactions are eliminated on consolidation.

2.14 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Share capital (Continued)

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 and performance share 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.

2.15 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.

2.16 Income taxes

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 financial reporting 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Income taxes (Continued)

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 financial reporting date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the financial reporting 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 profit or loss, 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.

2.17 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 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 at the dates of the transactions. Currency translation differences from the settlement of such transaction and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the financial reporting date are recognised in profit or loss.

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.

(c) Translation of group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing exchange rates at the financial reporting date;

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Currency translation (Continued)

(c) Translation of group entities' financial statements (Continued)

(ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) All resulting currency translation differences are recognised in the currency translation reserve.

2.18 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:–

(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.

(c) Rental income

Rental income from operating leases of investment property, 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 method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Revenue recognition (Continued)

(e) Dividend income

Dividend income from investments is recognised when the right to receive payment has been established.

2.19 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method in the period in which they are incurred.

2.20 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 premises, warehouses and yard under operating leases from non-related parties.

1) Lessee – Finance leases

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 statement of financial position as property, 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 profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

2) Lessee – Operating leases

Leases of leasehold land and buildings, office premises, 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 profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Leases (Continued)

(b) When the Group is the lessor

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

1) Lessor – Operating leases

Leases of investment property, 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 profit or loss 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 profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in profit or loss when earned.

2.21 Employee compensation

Employee benefits are recognised as an expense as when they are due.

(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 financial reporting date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

2.23 Dividends to Company's shareholders

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

2.24 Derivative financial instruments

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value.

The Group had entered into currency forward contracts to manage currency risk arising from its firm commitments for purchases. The currency forward contracts did not qualify for hedge accounting and fair value changes were recognised in profit or loss when the changes arise.

2.25 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are extended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

2.26 Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the financial reporting date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices for financial liabilities are the current asking prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each financial reporting date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analyses, are also used to determine the fair values of the financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Fair value estimation of financial assets and liabilities (Continued)

The fair values of currency forwards are determined using actively quoted forward exchange rates. The fair values of interest rate swaps are calculated as the present value of the estimated future cash flows discounted at actively quoted interest rates.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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.

(i) Inventory related allowance

A review is made periodically on inventory for excess inventory, obsolescence and declines in net realisable value below cost and management records 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 $1,266,000 (2009: $2,089,000) is adequate and the carrying amount of inventory of $62,315,000 (2009: $49,297,000) will be recovered in full.

(ii) Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on straight-line basis over their useful lives. Management estimates the useful lives of these property, plant and equipment to be within 5 to 50 years. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these property, plant and equipment, therefore future depreciation charges could be revised. The carrying amount of the assets affected by the assumption is $13,772,000 (2009: $19,327,000).

(iii) Income taxes

The Group has exposure to income taxes in the 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 liabilities and deferred income tax liabilities and assets at 30 June 2010 were $260,000 (2009: $192,000) and $530,000 and $175,000 (2009: $895,000 and NIL) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

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

(iv) Impairment of trade receivables

The allowance for impairment of 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 allowance of $107,000 (2009: $439,000) is adequate and the carrying amount of $9,413,000 (2009: $15,224,000) 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, available-for-sale, comprising quoted equity shares in Indonesia for objective evidence of impairment at least quarterly. Significant or prolonged decline in the fair value of the equity shares below its cost and the disappearance of an active trading market for the equity shares 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 near-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 an impairment loss of $955,000 (2009: $4,397,000) was charged to profit or loss.

(vi) Impairment of goodwill

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired. The recoverable amount of the asset and the cash-generating unit has been determined based on value-in-use calculations. These calculations require the use of estimates. During the financial year, an impairment loss of $1,000,000 has been charged, which reduced the carrying amount of the goodwill to $1,237,000. Management is of the view that the impairment allowance is adequate.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

4. RELATED PARTY TRANSACTIONS (Continued)

(i) Significant transactions with subsidiaries:–

	Company	
	2010	**2009**
	$'000	**$'000**
Management fees received from subsidiaries	**2,400**	2,420
Interest income	**22**	–

(ii) Key management personnel compensation:–

	Group		Company	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
Directors of the Company				
– remuneration	**1,136**	1,186	**1,136**	1,167
– fees	**105**	104	**105**	104
– contributions to Central Provident Fund	**25**	26	**25**	26
Directors of a subsidiary				
– remuneration	**619**	341	**–**	–
– contributions to Central Provident Fund	**16**	26	**–**	–
Other key management personnel				
– salaries and bonus	**499**	553	**191**	218
– contributions to Central Provident Fund	**32**	41	**12**	15
	2,432	2,277	**1,469**	1,530

5. REVENUE

	Group	
	2010	**2009**
	$'000	**$'000**
Sale of goods	**124,669**	311,444
Rental income	**3,165**	3,976
Service income	**2,224**	2,129
	130,058	317,549

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

6. OTHER INCOME

	Group	
	2010	2009
	$'000	$'000
Gain on disposal of property, plant and equipment	**1,920**	4,904
Rental of leasehold land and buildings, warehouses and office premises	**3,636**	5,967
Rental of investment property	**555**	–
Amortisation of deferred gain on sale of properties (Note 27)	**2,074**	2,074
Compensation by customers	**18**	1,311
Transportation income	**428**	545
Storage income	**68**	257
Interest income	**94**	151
Insurance claims	**45**	105
Government grants – Jobs Credit Scheme	**169**	99
Reversal of impairment loss of trade receivables (Note 14)	**–**	68
Reversal of impairment loss in value of inventories	**2,089**	–
Fair value gain on investment property	**1,070**	–
Sundry income – others	**466**	854
	12,632	16,335

The Jobs Credit Scheme is a cash grant introduced in the Singapore Budget 2009 to help business preserve jobs in the economic downturn. The Jobs Credit was paid to eligible employers in six payments and the amount an employer can receive would depend on the fulfilment of the conditions as stated in the scheme.

7. OTHER OPERATING EXPENSES

	Group	
	2010	2009
	$'000	$'000
Impairment loss on financial assets, available-for-sale (Note 22)	**955**	4,397
Rental of leasehold land and buildings, office premises, warehouse and yard	**4,717**	4,205
Foreign exchange loss	**515**	4,076
Transfer from fair value reserve for impairment loss in financial assets, available-for-sale	**–**	2,589
Impairment loss in value of inventories (Note 15)	**1,266**	2,089
Impairment loss on trade receivables (Note 14)	**107**	48
Impairment loss of goodwill	**1,000**	–
Bad trade receivables written off	**11**	31
	8,571	17,435

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

8. FINANCE EXPENSES

	Group	
	2010	**2009**
	$'000	**$'000**
Interest expense		
– Trust receipts interest	**335**	1,530
– Bank loans interest	**676**	362
– Finance lease liabilities interest	**36**	101
– Bank overdrafts interest	**–**	4
– Other	**7**	8
	1,054	2,005

9. PROFIT/(LOSS) BEFORE INCOME TAX

	Group	
	2010	**2009**
	$'000	**$'000**
This is determined after charging:–		
Depreciation of property, plant and equipment	**4,111**	4,720
Directors' fees	**105**	104
Property, plant and equipment written off	**–**	34

There was no non-audit fee paid to the Independent Auditor of the Company for the financial years ended 30 June 2010 and 30 June 2009.

10. INCOME TAX

	Group	
	2010	**2009**
	$'000	**$'000**
Current income tax		
– Current year	**404**	–
– Under provision in prior year	**116**	113
Deferred income tax		
– Current year	**(96)**	–
– Over provision in prior year	**(444)**	–
	(20)	113

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

10. INCOME TAX (Continued)

The income tax (benefit)/expense varied from the amount of income tax expenses determined by applying the Singapore income tax rate to profit/(loss) before income tax as explained below:–

	Group	
	2010	**2009**
	$'000	**$'000**
Profit/(loss) before income tax	**4,023**	(5,915)
Tax calculated at statutory tax rate of 17% (2009: 17%)	**684**	(1,006)
Tax effect on non-deductible items net of non-taxable income	**61**	314
Tax saving on partial exempt income	**(60)**	(26)
Under provision of current income tax in prior year	**116**	113
Over provision of deferred income tax in prior year	**(444)**	–
Utilisation of unutilised capital allowance not recognised previously	**(244)**	–
Utilisation of unabsorbed tax losses not recognised previously	**(188)**	–
Utilisation of unabsorbed donations not recognised previously	**–**	(28)
Deferred tax assets not recognised	**–**	810
Others	**55**	(64)
	(20)	113

The Group has unabsorbed tax losses and unutilised capital allowance of approximately $1,445,000 and $1,024,000 (2009: $3,029,000 and $1,736,000), respectively, available for offset against future taxable income. In 2009, these tax benefits had 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 and unutilised capital allowance is as follows:–

	Group			
	Unutilised capital allowance		Unabsorbed tax losses	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
Beginning of financial year	**1,736**	–	**3,029**	–
Amount disallowed	**–**	–	**(1,275)**	–
Amount in current financial year	**722**	1,736	**796**	3,029
Amount utilised	**(1,434)**	–	**(1,105)**	–
End of financial year	**1,024**	1,736	**1,445**	3,029
Deferred tax benefit on above unrecorded	**–**	295	**–**	515

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

11. EARNINGS/(LOSS) PER SHARE

(a) Basic-earnings/(loss) per share

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

	Group	
	2010	**2009**
Net profit/(loss) attributable to equity holders of the Company ($'000)	**4,043**	(6,028)
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**351,478**	350,296
Basic earnings/(loss) per share (cents)	**1.15**	(1.72)

(b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. The Company has warrants as dilutive potential ordinary shares.

Diluted earnings per share attributable to equity holders of the Company is calculated as follows:

	Group	
	2010	**2009**
Net profit/(loss) attributable to equity holders of the Company ($'000)	**4,043**	(6,028)
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**351,478**	350,296
Adjustments for warrants ('000)	**2,602**	3,587
Weighted average number of ordinary shares outstanding for diluted earnings per share ('000)	**354,080**	353,883
Diluted earnings/(loss) per share (cents)	**1.14**	(1.70)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

12. CASH AND CASH EQUIVALENTS

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Cash and bank balances	**15,176**	28,019	**8,686**	2,181
Short-term bank deposits	**4,026**	4,013	**4,026**	4,013
	19,202	32,032	**12,712**	6,194

For the purpose presentation in the consolidated statement of cash flows, cash and cash equivalents comprise the following:–

	Group	
	2010	2009
	$'000	$'000
Cash and bank balances (as above)	**19,202**	32,032
Less: Bank deposits pledged	**(1,000)**	(1,000)
	18,202	31,032

Short-term bank deposits at the financial year end have an average maturity ranging from 30 days to 92 days (2009: 18 day to 112 days) since the end of the financial year with effective interest ranging from 0.2% to 0.4% (2009: 0.11% to 1.40%) per annum.

A bank deposit of $1,000,000 (2009: $1,000,000) of the Group is pledged to a financial institution to secure short-term bank loan given to a subsidiary (Note 25 (vii)).

13. DERIVATIVE FINANCIAL INSTRUMENTS

i. Derivative financial assets

	Group	
	2010	2009
	$'000	$'000
Currency Linked Investment short-term deposit	**2,796**	–

The Currency Linked Investment ("CLI") is a placement of short-term deposits in a base currency at a variable interest rate and a possible payment of the principal amount and interest on the CLI by the bank in an alternate currency at a pre-agreed exchange rate which is dependent on the spot rate at the maturity date.

The maturity period of the currency linked investment short-term bank deposits was two days from the financial year end.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

13. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

ii. Non-hedging financial instruments

	Group		
	Contract notional amount	Fair value	
		Asset	Liability
	$'000	$'000	$'000
2010			
Currency forward contract	2,120	–	23*
2009			
Currency forward contract	29,090	–	966*

* Included in trade and other payables (Note 24)

14. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Trade receivables – non-related parties	**9,520**	15,663	**–**	–
Less: allowance for impairment of receivables non-related parties	**(107)**	(439)	**–**	–
	9,413	15,224	**–**	–
Tax recoverable	**–**	144	**–**	144
Loan receivable from subsidiary (Note 19)	**–**	–	**1,075**	–
Prepayments	**322**	356	**23**	21
Other receivables				
– Subsidiaries	**–**	–	**21**	898
– Non-related parties	**487**	716	**–**	–
	10,222	16,440	**1,119**	1,063

Loan receivable from subsidiary is unsecured, bears interest at 5% per annum and repayable on demand.

Other receivables due from subsidiaries are unsecured, interest-free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

14. TRADE AND OTHER RECEIVABLES (Continued)

The movement in the allowance for impairment of trade receivables during the financial year is as follows:–

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Beginning of financial year	**439**	539	**–**	–
Current year allowance (Note 7)	**107**	48	**–**	–
Amount written off	**(439)**	(80)	**–**	–
Reversal of allowance no longer required (Note 6)	**–**	(68)	**–**	–
End of financial year	**107**	439	**–**	–

The average credit period taken to settle the trade receivables is about 30 days (2009: 30 days). No interest is charged on outstanding balances. The credit risk and currency denominated risk of trade receivables are disclosed in Note 37.

Trade receivables that are individually determined to be impaired as at 30 June 2010 and 30 June 2009 relate to receivables that are in financial difficulties and have defaulted in payments.

15. INVENTORIES

	Group	
	2010	2009
	$'000	$'000
Trading inventories	**61,493**	50,196
Inventories-in-transit	**2,088**	1,190
	63,581	51,386
Less: Allowance for impairment loss in value of inventories	**(1,266)**	(2,089)
	62,315	49,297

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

	Group	
	2010	2009
	$'000	$'000
Beginning of financial year	**2,089**	256
Current year allowance	**1,266**	2,089
Reversal of allowance	**(2,089)**	–
Write-off	**–**	(256)
End of financial year	**1,266**	2,089

The cost of inventories recognised as expense and included in cost of sales amounted to $108,677,000 (2009: $292,218,000).

The Group reversed $2,089,000 (2009: $Nil) to profit or loss being inventories previously written down but were sold during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

16. 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, certain property, plant and equipment had been reclassified as assets-held-for-sale. Certain inventories to be sold together with these property, plant and equipment were also reclassified as assets-held-for sale.

	Group	
	2010	**2009**
	$'000	**$'000**
Reclassified from property, plant and equipment	**1,559**	750
Reclassified from inventories	**138**	–
	1,697	750

During the financial year, the Company's wholly-owned subsidiary, YLS Steel Pte Ltd sold a property known as 4 Pioneer Sector, Singapore 628605 for a consideration of $2,350,000. The gain on disposal of about $1,600,000 is included in profit or loss during the financial year.

17. GOODWILL

	Group	
	2010	**2009**
	$'000	**$'000**
Goodwill arising from acquisition of subsidiary		
Beginning of financial year	**2,237**	2,237
Less: Impairment charge	**(1,000)**	–
End of financial year	**1,237**	2,237

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified according to business segments and companies. The goodwill is identified to one of the subsidiaries of the Company.

The recoverable amount of a CGU was determined based on value-in-use. Cash flow projections used in the value-in-use calculations were based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period were extrapolated using the estimated growth rates stated below. Key assumptions used for value-in-use calculations are as follows:

Growth rate	3%
Discount rate	2.7%

An impairment charge of $1,000,000 is included within "other operating expenses" in profit or loss. The impairment charge has arisen due to losses of the subsidiary. The Group has also reassessed the useful lives of its property, plant and equipment and determined that no changes in the useful lives was required.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

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, trucks and cranes $'000	Total $'000
Cost								
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 (Note 16)	(2,878)	–	–	–	–	–	–	(2,878)
At 1 July 2009	13,200	1,464	776	2,285	765	17,134	4,604	40,228
Additions	4	5,966	45	75	102	1,220	280	7,692
Disposal/Written off	–	–	–	–	–	(64)	(846)	(910)
Reclassified to investment property	–	(7,430)	–	–	–	–	–	(7,430)
Reclassified to assets held-for-sale (Note 16)	–	–	(36)	(14)	(470)	(1,639)	(8)	(2,167)
At 30 June 2010	13,204	–	785	2,346	397	16,651	4,030	37,413
Accumulated depreciation								
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 (Note 16)	(2,128)	–	–	–	–	–	–	(2,128)
At 1 July 2009	4,425	–	675	1,815	360	10,519	3,107	20,901
Depreciation charge	1,229	–	65	226	73	1,845	673	4,111
Disposal/Written off	–	–	–	–	–	(64)	(699)	(763)
Reclassified to assets held-for-sale (Note 16)	–	–	(4)	(14)	(81)	(501)	(8)	(608)
At 30 June 2010	5,654	–	736	2,027	352	11,799	3,073	23,641
Carrying amount								
At 30 June 2010	7,550	–	49	319	45	4,852	957	13,772
At 30 June 2009	8,775	1,464	101	470	405	6,615	1,497	19,327

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

COMPANY	Motor vehicles, trucks and cranes $'000
Cost	
At 1 July 2008, 1 July 2009 & 30 June 2010	338
Accumulated depreciation	
At 1 July 2008	108
Depreciation charge	66
At 1 July 2009	174
Depreciation charge	67
At 30 June 2010	241
Carrying amount	
At 30 June 2010	97
At 30 June 2009	164

(i) As at the financial year end, the Group and the Company had property, plant and equipment with net carrying value of approximately $2,022,000 and $97,000 (2009: $2,310,000 and $164,000), respectively acquired under finance lease liabilities.

(ii) Particulars of the properties held by the Group as at 30 June 2010 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 2040

(iii) Certain banking facilities of the Group and Company are secured by mortgage of the leasehold land and buildings of the Group with net carrying amount of $7,127,000 (2009: $7,745,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

19. INVESTMENTS IN SUBSIDIARIES

	Company	
	2010	2009
	$'000	$'000
Unquoted equity investments, at cost	**17,961**	17,961

Name of subsidiaries	Principal activities	Country of incorporation/ place of business	Percentage of equity held 2010 %	2009 %
Direct				
Union Steel Pte. Ltd.	Recycling of non-ferrous metal and trading of stainless steel	Singapore	**100**	100
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 and sheet piles	Singapore	**100**	100
Yew Lee Seng Metal Pte Ltd	Demolition of buildings and trading of ferrous and non-ferrous scrap metals	Singapore	**100**	100
Lim Asia Steel Pte Ltd[1]	Recycling of all kinds of scrap metals and materials	Singapore	**65**	65
Indirect				
Union Aluminium Pte. Ltd. (Subsidiary of Union Steel Pte. Ltd.)[2]	Dormant	Singapore	**–**	100

All the above direct subsidiaries are audited by LTC LLP

(1) Subsequent to the financial year end, the Company has entered into an agreement to acquire the 35% interest from the minority shareholders of Lim Asia Steel Pte Ltd. Accordingly, Lim Asia Steel Pte Ltd has become a wholly-owned subsidiary of the Company.

(2) During the financial year the cost of investment had been written off and the subsidiary is in the process of applying for de-registration.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

20. INVESTMENT PROPERTY

	Group	
	2010	**2009**
	$'000	**$'000**
Reclassification from property, plant and equipment (Note 18)	**7,430**	–
Fair value gain recognised in profit or loss (Note 6)	**1,070**	–
	8,500	–

Investment property is are carried at fair value at the financial year end as determined by independent professional valuers. Valuations are made annually based on the properties' highest-and-best-use using the Direct Market Comparison Method.

Investment property is leased to non-related parties under operating leases (Note 32(b)).

Investment property is mortgaged to secure bank loans (Note 25(iii)).

The following amounts are recognised in profit or loss:

	Group	
	2010	**2009**
	$'000	**$'000**
Rental income	**555**	–
Direct operating expenses arising from investment property that generated rental income	**(9)**	–
Property tax and other direct operating expenses arising from investment property that did not generate rental income	**(226)**	–

Particulars of investment property held by the Group as at 30 June 2010 are as follows:

Location	**Description**	**Tenure**
1,3,5,7 Gul Road Singapore 629362, 629339, 629363 & 629364	Yard cum factory warehouse with land area of 15,665 square metres	Lease of 21 years ending 12 Sept 2027

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

21. GOLF CLUB MEMBERSHIP

	Group and Company	
	2010	**2009**
	$'000	**$'000**
At cost	**159**	159
Market value	**220**	200

The market value was based on published market rates as at the financial year end.

22. FINANCIAL ASSETS, AVAILABLE-FOR-SALE

	Group and Company	
	2010	**2009**
	$'000	**$'000**
Beginning of financial year	**2,331**	6,728
Impairment loss (Note 7)	**(955)**	(4,397)
End of financial year	**1,376**	2,331

The above are denominated in Indonesian Rupiah.

The Group has recognised an impairment loss of $955,000 (2009: $4,397,000) against an equity security in Indonesia whose trade prices had been below cost for a prolonged period during the financial year.

The fair value of quoted equity securities is determined by reference to Jakarta Stock Exchange quoted bid price as at the financial year end.

23. DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the statements of financial position as follows:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
Deferred income tax assets				
– to be recovered after one year	**175**	–	**15**	–
Deferred income tax liabilities				
– to be settled after one year	**530**	895	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

23. DEFERRED INCOME TAX (Continued)

Movement in deferred income tax account is as follows:

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Beginning of financial year	**895**	895	**–**	–
Tax credited to profit or loss	**(540)**	–	**(15)**	–
End of financial year	**355**	895	**(15)**	–

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) is as follows: –

Deferred income tax liabilities

	Group		
	Accelerated tax depreciation	Fair value gains	Total
	$'000	$'000	$'000
2010			
Beginning of financial year	**895**	**–**	**895**
(Credited)/charged to profit or loss	**(415)**	**50**	**(365)**
End of financial year	**480**	**50**	**530**
2009			
Beginning and end of financial year	895	–	895

Deferred income tax assets

	Group	Company
	Tax losses	Tax losses
	$'000	$'000
2010		
Beginning of financial year	**–**	**–**
Credited to profit or loss	**(175)**	**(15)**
End of financial year	**(175)**	**(15)**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

24. TRADE AND OTHER PAYABLES

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Trade payables- non-related parties	**2,521**	5,597	**–**	–
Derivative financial instruments (Note 13)	**23**	966	**–**	–
Rental deposits	**2,391**	2,391	**–**	–
Advances from customers	**835**	1,441	**–**	–
Accruals for operating expenses	**1,377**	1,509	**269**	207
Accruals for directors' fees	**105**	107	**105**	107
Accruals for legal claims	**143**	136	**–**	–
Other payables – non-related parties	**468**	526	**144**	177
	7,863	12,673	**518**	491

The average credit period taken to settle the trade payables is about 45 days (2009: 40 days). No interest is charged on outstanding balances.

The accruals for legal claims is in respect of certain legal claims brought against the Group by customers. In the opinion of the directors, after taking appropriate legal advice, the outcomes of these legal claims are not expected to give rise to any significant loss beyond the amounts provided at 30 June 2010.

25. BANK LOANS AND BILLS PAYABLE

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
<u>Current</u>				
Bank loan I – secured	**880**	880	**–**	–
Bank loan II – secured	**241**	279	**–**	–
Bank loan III – secured	**600**	696	**–**	–
Bank loan IV – secured	**830**	–	**–**	–
Bank loan V – unsecured	**1,249**	–	**1,249**	–
Bank loan VI – secured	**1,147**	–	**–**	–
Short-term bank loans – secured	**10,000**	10,198	**–**	–
Bills payable to banks – secured	**16,829**	29,007	**–**	–
	31,776	41,060	**1,249**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

25. BANK LOANS AND BILLS PAYABLE (Continued)

	Group		Company	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
Non-current				
Bank loan I – secured	**733**	1,613	**–**	–
Bank loan II – secured	**978**	1,143	**–**	–
Bank loan III – secured	**4,050**	–	**–**	–
Bank loan IV – secured	**1,780**	–	**–**	–
Bank loan V – unsecured	**3,411**	–	**3,411**	–
Bank loan VI – secured	**3,853**	–	**–**	–
	14,805	2,756	**3,411**	–
Total	**46,581**	43,816	**4,660**	–

The exposure of the borrowings of the Group and of the Company to interest rate changes and the contractual repricing dates as at the financial year end are as follows:

	Group		Company	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
12 months or less	**31,776**	41,060	**1,249**	–
1 – 5 years	**13,155**	2,756	**3,411**	–
Over 5 years	**1,650**	–	**–**	–
	46,581	43,816	**4,660**	–

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

25. BANK LOANS AND BILLS PAYABLE (Continued)

(ii) Bank loan II

A loan of $2,400,000 commencing in 2004, have been revised to be repayable by monthly instalments of $23,546. The interest rate is fixed at 2.7% up to 28 March 2011 and subsequently in the second year at 2.1% below the Prime Lending Rate and in the third year at 1.22% below the Prime Lending Rate.

(iii) Bank loan III

During the financial year 2009, a subsidiary entered into a bank loan agreement amounting to $5,000,000 or 80% of the cost of construction of the leasehold building, whichever is lower. The loan bears interest at 2% per annum above the bank's cost of funds rate. The loan is repayable by 100 monthly instalments of $50,000 plus interest from the date of first drawdown.

(iv) Bank loan IV

During the financial year, a subsidiary obtained a $3,000,000 bank loan. The loan is repayable over 4 years by monthly instalments of $69,088. The loan bears interest at 5% per annum or such other rates as may be approved under the Local Enterprise Finance Scheme and secured by corporate guarantee given by the Company.

(v) Bank loan V

During the financial year, the Company obtained a $5,000,000 bank loan. The loan is unsecured, bears interest at 5% per annum and repayable over 4 years by monthly instalment of $120,685.

(vi) Bank loan VI

During the financial year, a subsidiary obtained a $5,000,000 bank loan. The loan is repayable over 4 years by monthly instalments of $115,146. The loan bears interest at 5% per annum or such other rates as may be approved under the Local Enterprise Finance Scheme and secured by corporate guarantee given by the Company.

(vii) 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 bank deposit of $1,000,000 as disclosed in Note 12.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

25. BANK LOANS AND BILLS PAYABLE (Continued)

The long-term bank loans I to III are secured by the Group's investment property, leasehold land and buildings as disclosed in Note 18 (iii) and Note 20.

Fair value of non-current borrowings

	Group		Company	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
Bank borrowings	**14,332**	2,756	**3,140**	–
Finance lease liabilities	**–**	34	**–**	–
	14,332	2,790	**3,140**	–

The fair values above are determined from the cash flow analyses, discounted at market borrowing rates of an equivalent instrument at the financial year end which the directors expect to be available to the Group as follows:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
Bank borrowings	**5.25%**	5.25%	**5.25%**	–
Finance lease liabilities	**–**	5.50%	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

26. FINANCE LEASE LIABILITIES

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Minimum lease payments payable:–				
Within one year	**37**	781	**34**	751
Within two to five years	**–**	37	**–**	34
	37	818	**34**	785
Finance charges allocated to future periods	**(3)**	(33)	**–**	–
	34	785	**34**	785
Less: Repayable within one year included under current liabilities			**–**	(751)
Repayable after one year			**34**	34

	Company			
	Minimum lease payments		Present value of minimum lease payments	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Minimum lease payments payable:–				
Within one year	**–**	42	**–**	39
Within two to five years	**–**	–	**–**	–
	–	42	**–**	39
Finance charges allocated to future periods	**–**	(3)	**–**	–
	–	39	**–**	39
Less: Repayable after one year included under current liabilities			–	(39)
			–	–

The effective interest rate was 6.70% (2009: 1.25%) per annum and Nil% (2009: 2.85%) per annum for the Group and Company, respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

26. FINANCE LEASE LIABILITIES (Continued)

It was the Group's policy to lease certain property, plant and equipment under finance lease. 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 finance lease 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.

27. 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 profit or loss over 6 years.

	Group	
	2010	**2009**
	$'000	**$'000**
Beginning of financial year	**9,160**	11,234
Credited to the statement of comprehensive income (Note 6)	**(2,074)**	(2,074)
End of financial year	**7,086**	9,160
Less: Classified under current liabilities	**(2,074)**	(2,074)
Non-current liabilities	**5,012**	7,086

28. SHARE CAPITAL

	Number of ordinary shares		Group and Company	
	2010	**2009**	**2010**	**2009**
	'000	**'000**	**$'000**	**$'000**
Issued and fully paid:–				
At beginning of financial year	**351,468**	347,174	**30,256**	29,612
Shares issued arising from conversion of warrants	**12**	4,294	**2**	644
At end of financial year	**351,480**	351,468	**30,258**	30,256

All issued ordinary shares are fully paid. There is no par value for these ordinary shares. 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.

During the financial year, the Company issued 12,000 (2009: 4,294,000) ordinary shares upon the exercise of 12,000 (2009: 4,294,000) warrants for a total consideration of $2,000 (2009: $644,000) for working capital purposes. The newly issued shares rank pari-passu in all respects with the previously issued shares.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

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, 12,000 (2009: 4,294,000) units of warrants were converted into ordinary shares for a total consideration of $2,000 (2009: $644,000) for working capital purposes.

As at 30 June 2010, the Company has 65,046,050 (2009: 65,058,050) outstanding warrants.

The movement in the capital reserve is as follows:–

	Group and Company	
	2010	**2009**
	$'000	**$'000**
Beginning of financial year	**1,914**	2,080
Issue of warrants		
12,000 (2009: 4,294,000) Warrants conversion at $0.12 per share	**–***	(166)
End of financial year	**1,914**	1,914

* Amount is below $1,000

30. EMPLOYEE COMPENSATION

	Group		Company	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
Wages, salaries and bonus	**6,118**	6,473	**1,591**	1,293
Contributions to Central Provident Fund	**357**	444	**64**	51
Other staff related expenses	**613**	559	**229**	227
	7,088	7,476	**1,884**	1,571

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

31. DIVIDEND

	Group and Company	
	2010	2009
	$'000	$'000
Final tax exempt (one-tier) dividend of $Nil (2009: $0.03) in respect of the previous financial year	–	10,545

32. OPERATING LEASE COMMITMENTS

(a) Where Group is a lessee

The Group leases leasehold land and buildings, office premises, warehouse 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 financial year end but not recognised as liabilities, are as follows:–

	Group	
	2010	2009
	$'000	$'000
Not later than one year	**4,623**	4,704
Later than one year and not later than five years	**11,732**	13,951
Later than five years	**11,029**	2,912
	27,384	21,567

The rental expense for the financial year amounted to $4,947,000 (2009: $4,447,000).

(b) Where Group is a lessor

The Group leases out investment property, leasehold land and buildings, warehouse and office premises to non-related parties under non-cancellable operating leases. The lessees are required to pay absolute fixed annual increase to the lease payments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

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 financial year end but not recognised as receivables, are as follows:–

	Group	
	2010	**2009**
	$'000	**$'000**
Not later than one year	**3,309**	2,716
Later than one year and not later than five years	**3,091**	1,106
	6,400	3,822

The rental income for the financial year amounted to $4,191,000 (2009: $5,967,000). The leases have terms from 1 year to 3 years (2009: 1 year to 2 years).

33. CAPITAL COMMITMENTS

As at the financial reporting date, the Group has commitments as follows:–

	Group	
	2010	**2009**
	$'000	**$'000**
Capital expenditures contracted for at the financial year end but not recognised in the financial statements	**–**	6,000

34. GUARANTEES

	Group	
	2010	**2009**
	$'000	**$'000**
Bankers' guarantee	**3,563**	3,538

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

34. GUARANTEES (Continued)

At the financial year end, the maximum amount the Group could become liable is as shown above.

Corporate guarantees of $99,675,000 (2009: $100,322,000) are given by the Company to financial institutions for credit facilities granted to the subsidiaries.

Management has evaluated the fair value of these corporate guarantees and it is of the view that the consequential fair value of the benefits derived from these guarantees to the banks and financial institutions with regard to the subsidiaries is not significant and hence has not been recognised in the financial statements.

As at the financial year end, the Company was not required to fulfil any guarantee on the basis of default by the borrowers.

35. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The Board of Directors comprise Executive and Non-Executive Directors.

The Board of Directors considers the business from both a geographic and business segment perspective. Geographically, management manages and monitors the business in the eight primary geographic areas: Singapore, People's Republic of China, Bangladesh, India, Indonesia, Japan, Malaysia, Taiwan. All geographic locations are engaged in the following business segments.

- Recycling sales – engages in import and export of scrap iron and steel, ferrous and non-ferrous metals.
- Trading sales – engages in sale of steel and stainless steel products.
- Other business – includes income from rental of steel plates, providing services in relation to waste management services, demolition and car scrapping business.

Allocation basis and transfer pricing

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, liabilities and expenses.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

35. SEGMENT INFORMATION (Continued)

35.1 Business segments

	Recycling		Trading		Others		Total	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Segment revenue								
Sales to external customers	**93,523**	252,013	**31,357**	59,429	**5,178**	6,107	**130,058**	317,549
Segment result	**(2,947)**	(1,772)	**879**	(2,777)	**1,470**	(246)	**(598)**	(4,795)
Other income							**12,632**	16,335
Unallocated expenses								
– Employee compensation							**(2,018)**	(1,886)
– Depreciation							**(31)**	(189)
– Impairment of financial assets, held-for-sale							**(955)**	(6,985)
– Impairment loss of goodwill							**(1,000)**	–
– Foreign exchange gain/(loss)							**143**	(3,083)
– Land rent and rental expenses							**(1,880)**	(2,004)
– Other							**(1,216)**	(1,303)
Profit/(loss) from operations							**5,077**	(3,910)
Finance costs							**(1,054)**	(2,005)
Profit/(loss) before income tax							**4,023**	(5,915)
Income tax							**20**	(113)
Net profit/(loss)							**4,043**	(6,028)
Other information:–								
Depreciation	**2,344**	2,377	**1,218**	1,868	**549**	475	**4,111**	4,720
Capital expenditure	**1,229**	2,579	**187**	370	**6,276**	1,723	**7,692**	4,672
ASSETS								
Segment assets	**40,733**	62,328	**57,627**	46,285	**7,471**	3,052	**105,831**	111,665
Unallocated assets								
– Cash and cash equivalents							**12,712**	6,194
– Goodwill							**1,237**	2,237
– Financial assets, available-for-sale							**1,376**	2,331
– Other							**295**	146
Total assets							**121,451**	122,573
LIABILITIES								
Segment liabilities	**29,177**	50,501	**26,292**	14,357	**1,707**	2,133	**57,176**	66,991
Unallocated liabilities								
– Trade and other payables							**518**	491
– Borrowings							**4,660**	39
Total liabilities							**62,354**	67,521

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

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.

	2010			2009		
	Segment revenue $'000	Carrying amount of segment assets $'000	Capital expenditure $'000	Segment revenue $'000	Carrying amount of segment assets $'000	Capital expenditure $'000
China (inclusive Hong Kong)	**20,673**	**–**	**–**	142,567	1,175	–
Singapore	**55,890**	**120,964**	**7,692**	98,364	116,925	4,672
Bangladesh	**1,901**	**–**	**–**	6,659	–	–
India	**20,752**	**304**	**–**	25,986	3,103	–
Indonesia	**13,810**	**135**	**–**	13,008	–	–
Malaysia	**2,325**	**–**	**–**	6,707	–	–
Japan	**2,792**	**–**	**–**	11,874	–	–
Taiwan	**2,001**	**–**	**–**	719	–	–
Others*	**9,914**	**48**	**–**	11,665	1,370	–
	130,058	**121,451**	**7,692**	317,549	122,573	4,672

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

Information about major customers

There was no revenue from transactions with any single customer which amount over 10 percent or more of the Group's revenue.

36. SUBSEQUENT EVENT

Subsequent to the financial year, the Group has entered into an agreement to acquire the 35% interest from minority shareholders of Lim Asia Steel Pte Ltd. Accordingly, Lim Asia Steel Pte Ltd has become a wholly-owned subsidiary of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

37. 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 United States Dollar ("USD"), Euro ("EUR") and Indonesian Rupiah ("IDR").

Currency risk arises when transactions are denominated in foreign currencies. To manage the currency risk, individual Group entities enter into currency forwards contracts. In addition, the Group manages currency risk through natural hedging wherein substantial portion of their sales and purchases transactions were denominated in foreign currency.

The Group's currency exposure based on the information provided to key management is as follows:

At 30 June 2010	SGD $'000	USD $'000	EUR $'000	IDR $'000	Total $'000
Financial assets					
Cash and cash equivalents	16,651	2,551	–	–	19,202
Derivative financial assets	–	2,796	–	–	2,796
Trade and other receivables	9,199	701	–	–	9,900
Financial assets, available-for-sale	–	–	–	1,376	1,376
	25,850	6,048	–	1,376	33,274
Financial liabilities					
Trade and other payables	6,833	195	–	–	7,028
Borrowings	33,348	13,267	–	–	46,615
	40,181	13,462	–	–	53,643
Net financial (liabilities)/assets	(14,331)	(7,414)	–	1,376	(20,369)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

37. FINANCIAL RISK AND MANAGEMENT (Continued)

Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Currency risk (Continued)

At 30 June 2009	SGD $'000	USD $'000	EUR $'000	IDR $'000	Total $'000
Financial assets					
Cash and cash equivalents	13,904	18,128	–	–	32,032
Trade and other receivables	9,170	6,914	–	–	16,084
Financial assets, available-for-sale	–	–	–	2,331	2,331
	23,074	25,042	–	2,331	50,447
Financial liabilities					
Trade and other payables	8,734	2,485	13	–	11,232
Borrowings	17,479	27,122	–	–	44,601
	26,213	29,607	13	–	55,833
Net financial (liabilities)/assets	(3,139)	(4,565)	(13)	2,331	(5,386)

The Company's currency exposure based on the information provided to key management is as follows:

At 30 June 2010	SGD $'000	USD $'000	EUR $'000	IDR $'000	Total $'000
Financial assets					
Cash and cash equivalents	12,650	62	–	–	12,712
Trade and other receivables	1,096	–	–	–	1,096
Financial assets, available-for-sale	–	–	–	1,376	1,376
	13,746	62	–	1,376	15,184
Financial liabilities					
Trade and other payables	518	–	–	–	518
Borrowings	4,660	–	–	–	4,660
	5,178	–	–	–	5,178
Net financial assets	8,568	62	–	1,376	10,006

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

37. FINANCIAL RISK AND MANAGEMENT (Continued)

Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Currency risk (Continued)

At 30 June 2009	SGD $'000	USD $'000	EUR $'000	IDR $'000	Total $'000
Financial assets					
Cash and cash equivalents	6,127	67	–	–	6,194
Trade and other receivables	1,042	–	–	–	1,042
Financial assets, available-for-sale	–	–	–	2,331	2,331
	7,169	67	–	2,331	9,567
Financial liabilities					
Trade and other payables	491	–	–	–	491
Borrowings	39	–	–	–	39
	530	–	–	–	530
Net financial assets	6,639	67	–	2,331	9,037

If the USD and IDR change against the SGD by 3% and 7% (2009: 6% and 7%), 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:–

	2010 Increase/ (Decrease) Profit after tax $'000	2009 Increase/ (Decrease) Loss after tax $'000
Group		
USD against SGD		
– Strengthened	**(222)**	274
– Weakened	**222**	(274)
IDR against SGD		
– Strengthened	**96**	(163)
– Weakened	**(96)**	163

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

37. FINANCIAL RISK AND MANAGEMENT (Continued)

Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Currency risk (Continued)

	2010 Increase/ (Decrease) Profit after tax $'000	2009 Increase/ (Decrease) Loss after tax $'000
Company		
IDR against SGD		
– Strengthened	**96**	(163)
– Weakened	**(96)**	163

(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 statement of financial position 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.

(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, finance lease liabilities and short-term 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 creditworthy financial institutions. The Group and the Company also manage its interest rate risks on its interest income by placing the cash balances in varying maturities and interest rate terms.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

37. FINANCIAL RISK AND MANAGEMENT (Continued)

Financial risk factors (Continued)

(a) Market risk (Continued)

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

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.

	Variable rates			Fixed rates		
Group	**Less than 12 months $'000**	**1 to 5 years $'000**	**Over 5 years $'000**	**Less than 12 months $'000**	**1 to 5 years $'000**	**Total $'000**
At 30 June 2010						
Assets						
Cash and cash equivalents	6,822	–	–	–	–	6,822
Liabilities						
Borrowings	28,551	4,111	1,650	3,259	9,044	46,615

	Variable rates			Fixed rates		
Group	**Less than 12 months $'000**	**1 to 5 years $'000**	**Over 5 years $'000**	**Less than 12 months $'000**	**1 to 5 years $'000**	**Total $'000**
At 30 June 2009						
Assets						
Cash and cash equivalents	4,013	–	–	–	–	4,013
Liabilities						
Borrowings	41,060	2,728	28	751	34	44,601

Company	Variable rates			Fixed rates		
	Less than 12 months $'000	**1 to 5 years $'000**	**Over 5 years $'000**	**Less than 12 months $'000**	**1 to 5 years $'000**	**Total $'000**
At 30 June 2010						
Assets						
Cash and cash equivalents	4,026	–	–	–	–	4,026
Loan to subsidiary	–	–	–	1,075	–	1,075
Liabilities						
Borrowings	–	–	–	1,249	3,411	4,660

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

37. FINANCIAL RISK AND MANAGEMENT (Continued)

Financial risk factors (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	1 to 5 years $'000	Over 5 years $'000	Less than 12 months $'000	1 to 5 years $'000	Total $'000
At 30 June 2009						
Assets						
Cash and cash equivalents	4,013	–	–	–	–	4,013
Liabilities						
Borrowings	–	–	–	39	–	39

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 profit or loss 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 represent more than 5% of the total trade receivables.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

37. FINANCIAL RISK AND MANAGEMENT (Continued)

Financial risk factors (Continued)

(b) Credit risk (Continued)

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

	Group	
	2010	2009
	$'000	$'000
By Geographical areas		
Singapore	**8,528**	9,576
People's Republic of China	**–**	1,175
India	**304**	3,103
Indonesia	**134**	–
Other countries	**447**	1,370
	9,413	15,224

(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 $8,881,000 (2009: $13,056,000).

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

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

The age analysis of trade receivables past due but not impaired as at the financial year end is as follows:–

	Group	
	2010	2009
	$'000	$'000
Past due 0 to 3 months	**436**	1,220
Past due 4 to 6 months	**57**	643
Past due exceeded 6 months	**39**	305
	532	2,168

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

37. FINANCIAL RISK AND MANAGEMENT (Continued)

Financial risk factors (Continued)

(b) Credit risk (Continued)

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

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

	Group	
	2010	**2009**
	$'000	**$'000**
Gross amount	**107**	439
Less: Allowance for impairment	**(107)**	(439)
	–	–

(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 2010				
Trade and other payables	7,863	–	–	–
Borrowings	32,544	5,355	9,018	1,714
At 30 June 2009				
Trade and other payables	12,673	–	–	–
Borrowings	41,954	1,221	1,335	451

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

37. FINANCIAL RISK AND MANAGEMENT (Continued)

Financial risk factors (Continued)

(c) Liquidity risk (Continued)

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.

(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% (2009: 150%). The Group's strategies, which were unchanged from 2009, 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	
	2010	**2009**
	$'000	**$'000**
Net debt	**32,480**	25,242
Total equity	**59,097**	55,052
Total capital	**91,577**	80,294
Gearing ratio	**35%**	31%

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 30 June 2010 and 2009.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

38. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain new standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting period beginning on or after 1 July 2010 which the Group has not early adopted.

The Group has assessed the impact of adopting those new standards, amendments and interpretations that are relevant to the Group and expects that the adoption will have no material impact on the financial statements in the period of initial application, except for Revised FRS 24 as indicated below:

Revised FRS 24: Related Party Disclosures

The revised FRS 24 expands the definition of a related party and would treat two entities as related to each other whenever a person (or a closed member or that person's family) or a third party entity has control or joint control over the entity, or has significant influence over the entity. The Group is currently determining the impact of the expanded definition has on the disclosure of related party transactions. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented in 2011.

SHAREHOLDING STATISTICS

Issued and fully paid	:	SGD30,129,499
Number of shares	:	351,504,250 Ordinary shares
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share

Distribution of shareholdings as at 17 September 2010

Size of shareholdings	No. of shareholders	%	No. of Shares	%
1 – 999	66	3.33	2,470	0.00
1,000 – 10,000	697	35.20	4,929,120	1.40
10,001 – 1,000,000	1,199	60.56	88,903,360	25.29
1,000,001 and above	18	0.91	257,669,300	73.31
Total	1,980	100.00	351,504,250	100.00

Twenty largest shareholders as at 17 September 2010

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	Goi Seng Hui	28,200,000	8.02
4	Ang Yew Chye	24,957,526	7.10
5	SBS Nominees Pte Ltd	10,590,000	3.01
6	Super Group Ltd	5,200,000	1.48
7	Lim & Tan Securities Pte Ltd	5,000,000	1.42
8	UOB Kay Hian Pte Ltd	3,545,000	1.01
9	OCBC Securities Private Ltd	2,471,020	0.70
10	Lim Yong Luy	2,406,000	0.68
11	United Overseas Bank Nominees Pte Ltd	2,319,010	0.66
12	Cheng Buck Poh @ Chng Bok Poh	2,034,000	0.58
13	Ong Gim Loo	2,031,000	0.58
14	Seah Kiok Leng	2,000,000	0.57
15	Kim Eng Securities Pte. Ltd.	1,585,000	0.45
16	CIMB Securities (Singapore) Pte Ltd	1,530,020	0.44
17	Chong Hock Ping	1,150,000	0.33
18	Goh Sian Chay	1,106,000	0.32
19	Qiu Qianliang	1,000,000	0.28
20	Lim Puay Lan	909,000	0.26
	Total:	259,578,300	73.85

Based on the information available to the Company as at 17 September 2010, approximately 46.75% of the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

SHAREHOLDING STATISTICS

Substantial Shareholders

	Direct Interest	%
Ang Yu Seng	114,373,674	32.54
Ang Yew Lai	47,171,050	13.42
Goi Seng Hui	28,200,000	8.02
Ang Yew Chye	24,957,526	7.10

Distribution of warrantholdings as at 17 September 2010

Size of warrantholdings	No. of warrantholders	%	No. of Warrants	%
1 – 999	8	1.26	3,401	0.01
1,000 – 10,000	410	64.67	2,258,400	3.47
10,001 – 1,000,000	210	33.12	14,496,400	22.29
1,000,001 and above	6	0.95	48,263,849	74.23
Total	634	100.00	65,022,050	100.00

Twenty largest warrantholders as at 17 September 2010

No.	Name of warrantholders	No. of Warrants	%
1	Ang Yu Seng	22,874,734	35.18
2	Ang Yew Lai	9,434,210	14.51
3	Goi Seng Hui	4,640,000	7.14
4	Ang Yew Chye	4,618,905	7.10
5	Super Group Ltd	4,000,000	6.15
6	CIMB Securities (Singapore) Pte Ltd	2,696,000	4.15
7	Lim & Tan Securities Pte Ltd	1,000,000	1.54
8	Phillip Securities Pte Ltd	926,000	1.42
9	United Overseas Bank Nominees Pte Ltd	802,600	1.23
10	UOB Kay Hian Pte Ltd	680,000	1.05
11	OCBC Securities Private Ltd	606,800	0.93
12	Loh Poh Lim	530,000	0.82
13	Tang Kwang Boo	500,000	0.77
14	Kim Eng Securities Pte. Ltd.	421,600	0.65
15	Quah Ban Huat	393,000	0.60
16	Seah Kiok Leng	373,000	0.57
17	Ong Chin Guan	350,000	0.54
18	Koh Wan Tiong	280,000	0.43
19	Quek Kwang Hok	227,000	0.35
20	Sim Beng Huat Henry	220,000	0.34
	Total:	55,573,849	85.47

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, 21 October 2010 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 2010 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 $105,000 for the financial year ended 30 June 2010. (2009: $107,400) [Resolution 2]
3. To re-elect the following Directors retiring by rotation pursuant to Article 91 of the Company's Articles of Association.
   (i) Mr Siau Kai Bing [Resolution 3]
   (ii) Mr Chan Kok Poh [Resolution 4]

   Mr Siau Kai Bing will, upon re-election as a Director of the Company, remain as the Chairman of the Audit Committee, a member of Nominating Committee and a member of Remuneration Committee. He will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").

   Mr Chan Kok Poh will, upon re-election as a Director of the Company, remain as the Chairman of Remuneration Committee and a member of Audit Committee. He will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").
4. To re-appoint Messrs LTC LLP as the Independent Auditor 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** [Resolution 6]

   That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the SGX-ST, the Directors be and are hereby empowered to allot and issue shares and/or convertible securities that might or would require shares to be issued including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares, where 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 or in pursuance of any offers, agreements or options made or granted by the Directors during continuance of the authority conferred by this Resolution which might or would require shares and/or convertible securities to be issued during the continuance of the authority conferred by this Resolution or thereafter) 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 (notwithstanding the authority conferred by this Resolution may have ceased to be in force) provided always that:

NOTICE OF ANNUAL GENERAL MEETING

(i) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of convertible securities made or granted pursuant to this Resolution) does not exceed fifty per centum (50%) of the total number of issued shares excluding treasury shares, as calculated in accordance with sub paragraph (ii) below ("**Issued Shares**"), provided that the aggregate number of shares to be issued other than on a pro-rata basis to existing shareholders (including shares to be issued in pursuance of convertible securities made or granted pursuant to this Resolution) does not exceed twenty per centum (20%) of the total number of Issued Shares;

(ii) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of convertible securities made or granted pursuant to this Resolution) via a pro-rata renounceable rights issue pursuant to this Resolution shall not (a) if issued on or before 31 December 2010, exceed one hundred per centum (100%) of the total number of Issued Shares (excluding treasury shares) in the capital of the Company; or (b) if issued after 31 December 2010, exceed fifty per centum (50%) of the total number of Issued Shares (excluding treasury shares) in the capital of the Company;

(iii) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (i) and (ii) above, the total number of Issued Shares (excluding treasury shares) shall be based on the total number of Issued Shares excluding treasury shares at the time of the passing of this Resolution, after adjusting for (a) new shares arising from the conversion or exercise of convertible securities; (b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with the Listing Manual of the SGX-ST; and (c) any subsequent bonus issue, consolidation or subdivision of shares;

(iv) in exercising the authority conferred by this Resolution, the Company shall comply with the rules, guidelines and measures issued by the SGX-ST and the provisions of the Listing Manual for the time being in force (in each case, unless such compliance has been waived by the SGX-ST) all applicable legal requirements under the Companies Act, Cap. 50 and otherwise, and the Memorandum and the Articles of Association for the time being of the Company; and

(v) unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (i)]

7. **Authority to allot and issue shares other than on a *pro-rata* basis at a discount not exceeding twenty per centum (20%)** [Resolution 7]

That subject to and pursuant to the share issue mandate in Resolution 6 above being obtained, authority be and is hereby given to the Directors to issue new shares other than on a *pro-rata* basis to shareholders of the Company at an issue price per new share as the Directors of the Company may in their absolute discretion deem fit provided that such price shall not (i) if the issue was made on or before 31 December 2010, represent a discount of more than twenty per centum (20%) to the weighted average price per share or (ii) if the issue was made after 31 December 2010, represent a discount of more than ten per centum (10%) to the weighted average price per share, determined in accordance with the requirements of the SGX-ST, provided always that:

NOTICE OF ANNUAL GENERAL MEETING

(a) in exercising the authority conferred by this Resolution, the Company shall comply with the rules, guidelines and measures issued by the SGX-ST and the provisions of the Listing Manual for the time being in force (in each case unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act, Cap. 50 and otherwise, and the Memorandum and Articles of Association for the time being of the Company; and

(b) unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held or 31 December 2010.

[See Explanatory Note (ii)]

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

That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be authorised and empowered to offer and grant options under the Union Steel Holdings ESOS, and 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 granted by the Company under the ESOS, whether granted during the subsistence of this authority or otherwise, provided that the aggregate number of additional ordinary shares to be issued pursuant to the ESOS, when aggregated together with shares issued and/or issueable pursuant to any other existing share schemes or plan of the Company for the time being, shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iii)]

9. **The Proposed Renewal of Share Buy Back Mandate** [Resolution 9]

That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, Cap 50, the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company ("Ordinary Shares") not exceeding in aggregate the Prescribed Limit (as hereafter defined), at such price(s) as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) market purchase(s) (each a "Market Purchase") on the SGX-ST; and/or

(ii) off market purchase(s) (each an "Off-Market Purchase") effected otherwise than on the SGX-ST in accordance with any equal access schemes as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST or, as the case may be, as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "Share Buy Back Mandate");

NOTICE OF ANNUAL GENERAL MEETING

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buy Back Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:

(i) the date on which the next Annual General Meeting of the Company is held or required by law or the existing Articles of Association of the Company to be held; and

(ii) the date by which the share buybacks are carried out to the full extent mandated; or

(iii) the date on which the authority contained in the Mandate is varied or revoked.

(c) in this Resolution:

"**Prescribed Limit**" means 10% of the issued ordinary share capital of the Company as at the date of passing of this Resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act (Cap 50), at any time during the Relevant Period, in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered (excluding any treasury shares that may be held by the Company from time to time);

"**Maximum Price**" in relation to a fully-paid ordinary shares in the capital of the Company (a "Share") to be purchased, means an amount (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

(i) in the case of a Market Purchase, one hundred and five per centum (105%) of the Average Closing Price;

(ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, one hundred and twenty per centum (120%) of the Highest Last Dealt Price, where:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five market days, on which transactions in the Shares were recorded, preceding the day of the Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant 5-day period;

"**Highest Last Dealt Price**" means the highest price transacted for a Share as recorded on the market day on which there were trades in the Shares immediately preceding the day of the making of the offer pursuant to the Off-Market Purchase; and

"**day of the making of the offer**" means the day on which the Company announces its intention to make an offer for the purchase of Shares from shareholders of the Company stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

"**market day**" means a day on which SGX-ST is open for trading in securities.

(d) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this Resolution. [See Explanatory Note (iv)]

NOTICE OF ANNUAL GENERAL MEETING

10. **Authority to grant awards in accordance with the Union Steel Performance Share Scheme (the "Scheme")** [Resolution 10]

That pursuant to Section 161 of the Companies Act, Cap 50, the Directors of the Company be and are hereby authorised to grant Awards in accordance with the provisions of the Scheme and 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 grant of the Awards under the Scheme, provided that the aggregate number of new Shares to be issued pursuant to the Scheme, when aggregated together with shares issued and/or issueable pursuant to any other existing share schemes or plan of the Company for the time being, shall not exceed fifteen per centum (15%) of the issued ordinary share capital (excluding treasury shares) of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (v)]

By Order of the Board

HELEN CAMPOS
Company Secretary

Singapore
5 October 2010

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 of the Meeting.

NOTICE OF ANNUAL GENERAL 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, or the date by which the next Annual General Meeting is required by law to be held, whichever is earlier, 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 save that such number shall be up to one hundred per centum (100%) of the total number of issued shares (excluding treasury shares) in relation to a pro-rata renounceable rights issue to existing shareholders.

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.

For determining the aggregate number of shares that may be issued, the percentage of issued shares will be calculated based on the total number of issued shares (excluding treasury shares) at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent consolidation or subdivision of shares.

The 100% renounceable pro-rata rights issue limit is one of the new measures implemented by the SGX-ST as stated in a press release entitled "SGX introduces further measures to facilitate fund raising" dated 19 February 2009 which became effective on 20 February 2009 and will expire on 31 December 2010 unless extended. It will provide the Directors with an opportunity to raise funds and avoid prolonged market exposure by reducing the time taken for shareholders' approval, in the event the need arises. Minority shareholders' interests are mitigated as all shareholders have equal opportunities to participate and can dispose their entitlements through trading of nil-paid rights if they do not wish to subscribe for their rights shares. It is subject to the condition that the Company makes periodic announcements on the use of the proceeds as and when the funds are materially disbursed and provides a status report on the use of proceeds in the annual report.

(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, or the date by which the next Annual General Meeting is required by law to be held, or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to allot and issue shares other than on a pro rata basis at a discount of not more than twenty per centum (20%) to the weighted average price per share determined in accordance with the requirements of the SGX-ST.

(iii) The Ordinary Resolution 8 in item (8) above, if passed, will empower the Directors of the Company, from the date of this Meeting until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the ESOS when aggregated together with shares issued and/or issueable pursuant to any other existing share schemes or plan of the Company for the time being, shall not exceed fifteen per centum (15%) of the total number of issued shares in the capital of the Company excluding treasury shares from time to time.

(iv) The Ordinary Resolution 9 in item (9) above, if passed, will renew the Share Buy Back Mandate to permit the Company to purchase or otherwise acquire its issued ordinary shares on the terms and subject to the conditions of the Resolution.

(v) The Ordinary Resolution 10 in item (10) above, if passed, will empower the Directors of the Company, from the date of this Meeting until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to grant Awards in accordance with the provisions of the Scheme and to allot and issue shares in the Company pursuant to the grant of the Awards under the Scheme when aggregated together with shares issued and/or issueable pursuant to any other existing share schemes or plan of the Company for the time being, shall not exceed fifteen per centum (15%) of the total number of issued shares in the capital of the Company excluding treasury shares from time to time.

UNION STEEL HOLDINGS LIMITED

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

IMPORTANT

1. For investors who have used their CPF monies to buy shares of Union Steel Holdings Limited, the Annual 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 attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

PROXY FORM

(Please see notes overleaf before completing this Form)

*I/We ______________________________ NRIC/Passport No: ______________ of
____ being
*member/members of UNION STEEL HOLDINGS LIMITED (the "Company"), hereby appoint

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

And/or (delete as appropriate)

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 21 October 2010 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
Ordinary Business			
1	Adoption of Audited Accounts for the financial year ended 30 June 2010 together with the Reports of the Directors and Auditors thereon.		
2	Approval of Directors' Fees of $105,000 for the financial year ended 30 June 2010.		
3	Re-election of Mr Siau Kai Bing retiring pursuant to Article 91 of the Company's Articles of Association.		
4	Re-election of Mr Chan Kok Poh retiring pursuant to Article 91 of the Company's Articles of Association.		
5	Re-appointment of Messrs LTC LLP as Independent Auditor of the Company and authorisation of Directors to fix their remuneration.		
Special Business			
6	Authority to Directors to allot and issue new shares pursuant to Section 161 of the Companies Act, Cap 50		
7	Authority to issue shares other than on a pro-rata basis at a discount exceeding 10% but not more than 20%		
8	Authority to grant options and issue shares under the Union Steel Holdings Employee Share Option Scheme		
9	Renewal of Share Buy Back Mandate		
10	Authority to grant awards in accordance with the Union Steel Performance Share Scheme		

Dated this __________ day of ________________ 2010

Total number of Shares Held	No. of Shares
(a) CDP Register	
(b) Register of Members	

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

* Delete accordingly

IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS PROXY FORM.

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

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

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

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

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UNION STEEL HOLDINGS LIMITED

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

www.unionsteel.com.sg