UNION STEEL HOLDINGS LIMITED
友联钢铁控股有限公司

2011
Annual Report

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Corporate Profile

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

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 centres for the collection and recycling of ferrous and non-ferrous scrap metals and the trading of steel products and non-ferrous metal products. The Group has received several awards including the Enterprise 50 Award in 2003 and 2004, Fastest Growing 50 Certification and was 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 and achieved the Singapore International 100 Company status in 2010.

The Group delivers high quality products and reliable customer service to a global network that spans over hundreds of suppliers and customers, in countries like China, Japan, Korea, India, Sri Lanka, Pakistan, United Kingdom, Indonesia, Malaysia, Singapore and Middle Eastern countries. The Group continuously 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 centre 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 maximise 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 value regeneration in recycling of waste material.

We sell ferrous scrap such as steel and heavy melting scrap metals and non-ferrous scrap metals such as copper, aluminium, 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. The quality of our steel products adhere to the guidelines set by the Singapore Standard.

Leveraging on our procurement and supply network, we also operate stockist centre for stainless steel products supplying to customers in Singapore and overseas countries.

We are committed to providing a high level of customer service by having ready stocks, prompt delivery and quality assurance. We are ISO 9001 and 14001 certified.

Rental

The Group offers an extensive inventory of sheet piles, mild steel plates and beams for rental to the construction and engineering industries, providing customers with an array of products of various dimensions to suit each business need.

Being a one-stop centre supplier, the Group constantly reviews its products and services to meet the growing and changing needs and demands of the industries.

Other Business

In Other Business, the Group is involved in waste collection and management services, and demolition works.

We are licensed by the National Environment 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.

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

Corporate Structure

YLS Steel Pte Ltd

YLS Steel Pte Ltd is a wholly-owned subsidiary of Union Steel Holdings Limited. Incorporated in 1984, YLS Steel Pte Ltd's core business activities include collection, recycling and trading of ferrous scrap, renting out of steel plates, sheet piles and beams to companies in the construction and engineering industries and trading of steel products, such as steel reinforcement bars, steel plates, H beams, I beams, pipes, sheet piles and wire rods. 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 more than 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, stainless steel and aluminium products. Union Steel Pte Ltd is also an ISO 9001 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, incorporated in 1988, 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 specialises in demolition of institutional, commercial, industrial, residential buildings and service structure of various types and sizes. Its range of services include 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.

Lim Asia Steel Pte Ltd

Lim Asia Steel Pte Ltd is a wholly-owned subsidiary of Union Steel Holdings Limited, it is currently an investment holding company for property investments.

Chairman's Statement

Dear Shareholders,

On behalf of the Board, I am pleased to present our Annual Report for the financial year ended 30 June 2011.

FY2011 was a challenging year for the Group; the global metals markets were volatile and highly competitive while our local trading market was also fraught with intense competition. Notwithstanding these external pressures, and through a combination of operational agility and financial prudence, the Group achieved a 148.0% increase in net profit to $10.0 million. Earnings per share were 2.78 cents (FY2010: 1.15 cents).

In view of the stronger performance last year, the Board is pleased to recommend a final dividend of 0.3 cents per share (FY2010: nil).

Financial and Business Review

Overall Group revenue declined 21.6% from $130.1 million to $102.0 million. Revenue contribution from Recycling activities decreased from $93.5 million to $55.8 million in FY2011, mainly due to lower exports sales. We intensified our marketing efforts in Steel Products Trading in the local market and as a result, contribution from trading rose from $31.4 million to $38.7 million. Contribution from Other Businesses such as waste collection, demolition works and rental of steel materials also improved, from $5.2 million to $7.5 million.

Notwithstanding the intense competitive pressures that we faced, we managed to improve gross margins by 4.3 percentage points, from 8.6% to 12.9%. This was achieved on the back of tighter inventory cost controls, a higher margin product mix and higher selling prices. Consequently, gross profit rose 17.6% to $13.2 million, from $11.2 million in FY2010.

Operating profit surged 145.6% to $12.5 million mainly due to gains on disposal of property, lower distribution and marketing costs and a sharp reduction in other operating expenses. Other operating expenses were reduced by 30.7% to $5.9 million, due to the absence of impairment of inventories and goodwill, and the reclassification of property related expenses to administrative expenses.

Pretax profit rose 186.8% to $11.5 million while net profit rose two and a half-fold to $10.0 million.

Financial Position

With the improved performance, our financial position strengthened further. As at 30 June 2011, we have cash and cash equivalents of $30.2 million, compared with total borrowings of $29.3 million.

Shareholders' equity grew from $59.1 million to $73.5 million primarily as a result of the higher earnings. Net asset value per share as at 30 June 2011 was 18.7 cents (FY2010: 16.8 cents).

Outlook

Global growth forecasts are trending down as the world economic outlook gets burdened by sovereign debt issues in the Eurozone and the downgrade of the credit rating of the United States. With the risks of a global downturn exacerbated by erratic financial markets, we expect global metals markets to remain volatile.

Given the uncertain outlook, we expect keener competition in the global markets and an increase in pricing pressures for our recycling business going forward. Our steel products trading business will also continue to face intense competition and margin pressures.

Positioning for the future

We are mindful of the capricious nature of the metals trading business, especially in the current difficult operating environment. Therefore, we are looking to acquire new and strategic businesses that can provide a more stable income stream, enlarge our products and services and help us penetrate into new markets.

On 26 July 2011, we proposed the acquisition of Hock Ann Metal Scaffolding Pte Ltd ("Hock Ann"), an established and profitable scaffolding provider to the local construction industry. Hock Ann has a strategic fit with our existing business and we do anticipate significant operating leverages that can add value to our customers and enhance our competitiveness in the local marketplace.

The Board is committed to ensure that Union Steel is well positioned to harness its deep experience and capabilities for the next stage of growth.

Words of Appreciation

On behalf of the Board, I would like to thank the many people whose unwavering support has seen us through the years. Firstly, thank you, our shareholders, for your continuing confidence and trust in the Group. I am also grateful to our customers, suppliers, bankers and business partners for their constant support. A company also depends on the talent and commitment of its people to excel and grow. I would like to thank our management and staff for their hard work and dedication to the Group.

Last but not least, I must also acknowledge the invaluable counsel and contribution of my fellow board members.

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

Our Processes

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

Executive 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. He is responsible for developing and driving the growth strategies of the companies in the Group. Mr Ang has over 25 years of experience in the scrap metal recycling and steel trading businesses. Following Mr Ang Yew Lai's retirement as the Executive Director, he has taken over the management of Union Steel Pte Ltd.

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. He is responsible for the day-to-day management of Yew Lee Seng Metal Pte Ltd as well as the non ferrous metal business of Union Steel Pte Ltd. Mr Ang has over 25 years of experience in the scrap metal recycling business.

Mr Ang Yew Lai

Executive Director
(Retired on 13 June 2011)

Mr Ang Yew Lai was appointed as Executive Director of our Group on 12 August 2004 and oversaw the Group's non-ferrous metal businesses. Mr Ang was involved in the day-to-day management of Union Steel Pte Ltd and has over 20 years of experience in the business of coated steel trading, recycling of scrap metal, stainless steel and aluminium. He retired as an Executive Director on 13 June 2011 to purse his own personal interests.

Board of Directors

Mr Siau Kai Bing

Independent Director

Mr Siau Kai Bing was appointed an Independent Director of our Company on 28 June 2005. Mr Siau is currently the Financial Controller and Associate Director of one of the largest architectural services companies in Singapore. He has over 30 years of experience in accounting and audit and has held senior appointments in finance industry including Chief Financial Officer of a public listed company. Mr Siau is a Fellow non-practising member 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 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 Executive Chairman of Nordic Group Limited. 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 Chan Kok Poh

Independent Director

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

Key Management

Mr Leung Kai Yin
Chief Financial Officer

Mr Leung Kai Yin is responsible for the accounting, financial, legal and corporate activities (including mergers & acquisitions) of the Group. He has more than 20 years of experience (of which the last 10 years were in CFO-level positions) in helping private and public-listed companies in the Asia Pacific region to grow organically and inorganically across various industries.

Mr Leung holds a BBus (Accounting & Finance) degree from Edith Cowan University, a MBA from the University of Warwick and a JD from Monash University. He is a Fellow non-practising member of the Institute of Certified Public Accountants of Singapore and CPA Australia. He is also a Barrister & Solicitor of the Supreme Court of Victoria, Australia.

Ms Ang Siew Chin
Senior Operations Manager

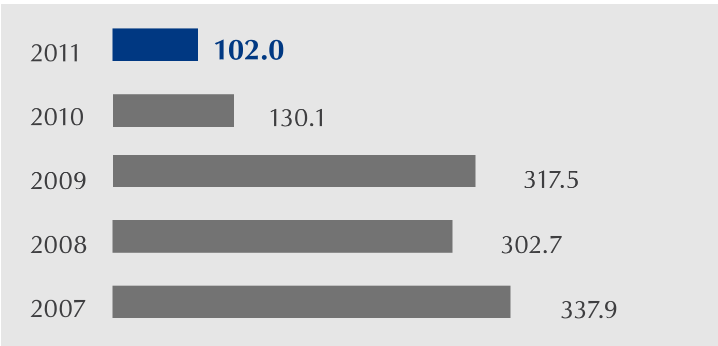
Ms Ang Siew Chin is responsible for the sales and marketing of the Group's steel and scrap business. She also oversees the operations of the Group from sourcing and supplying of steel products for construction projects to the exporting of ferrous and non-ferrous scrap materials.

Ms Ang was in charge of the Yard Scrap Business in Yew Lee Seng Metal Pte Ltd where she was the Operations Manager. She was promoted to her current position in December 2009.

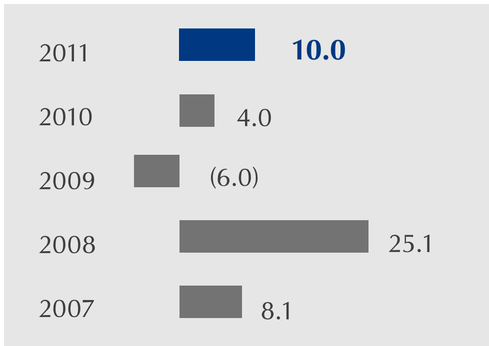
Financial Highlights

	FY 2011	FY 2010	FY 2009	FY 2008	FY 2007
Group Turnover (S$'million)	**102.0**	130.1	317.5	302.7	337.9
Group PAT/(LAT) (S$'million)	**10.0**	4.0	(6.0)	25.1	8.1
Group Gross Margin (%)	**12.9**	8.6	3.8	10.4	6.5
Group EPS/(LPS) (cents)	**2.8**	1.1	(1.7)	7.2	2.3
Group NA (cents)	**18.7**	16.8	15.7	19.7	13.6

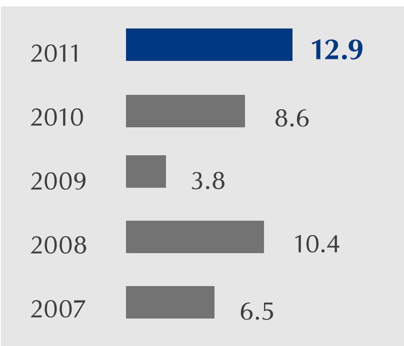
Group Turnover
(S$'million)



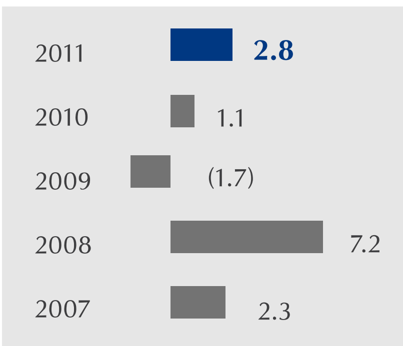
Group PAT
(S$'million)



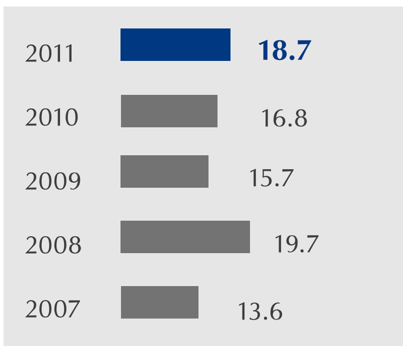
Group Gross Margin
(cents)



Group EPS
(cents)

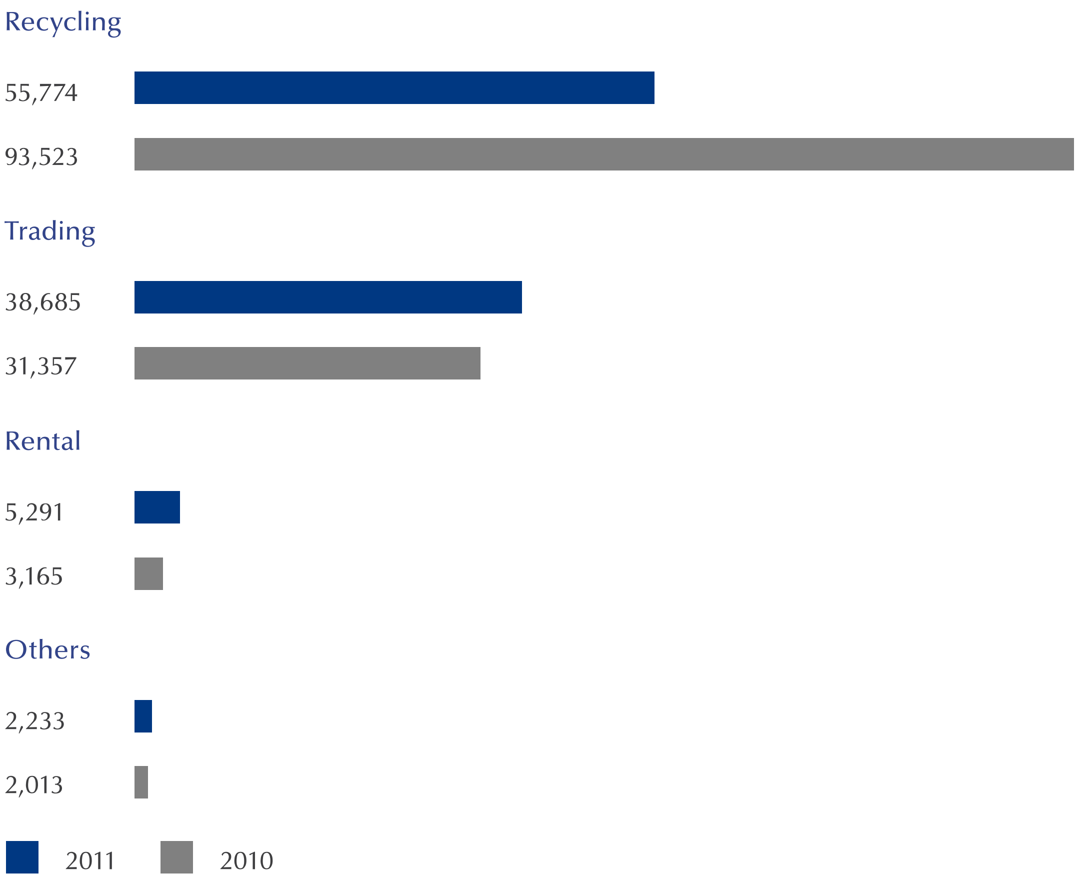


Group NA
(cents)

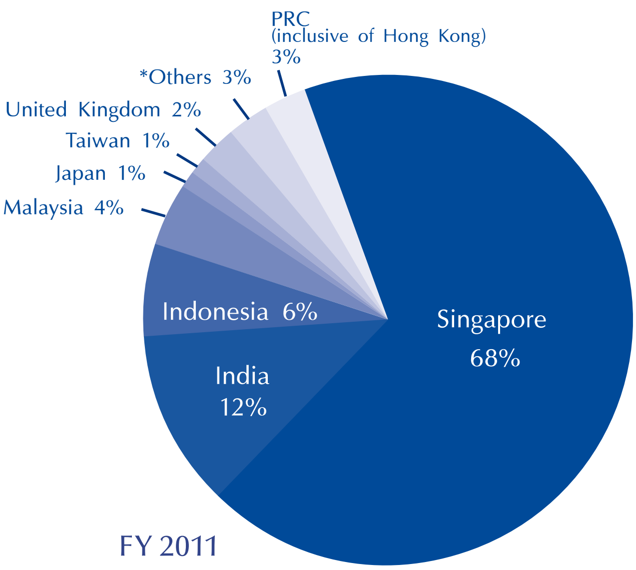


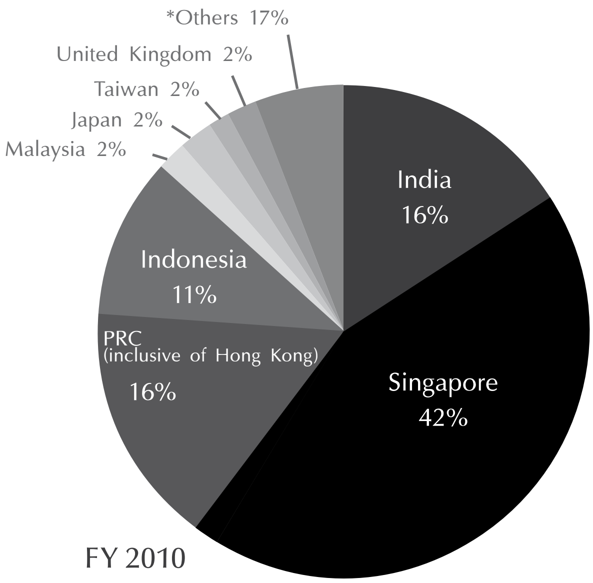
Financial Highlights

Group Segment Revenue
(S$000)



Group Revenue by Geographical Region





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

Corporate Information

BOARD OF DIRECTORS
Ang Yu Seng
Ang Yew Lai (Retired on 13 June 2011)
Ang Yew Chye
Chan Kok Poh
Chang Yeh Hong
Siau Kai Bing

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

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

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

COMPANY SECRETARY
Helen Campos
MC Corporate Services Pte Ltd
141 Cecil Street #02-03
Tung Ann Association Building
Singapore 069541

REGISTERED OFFICE
33 Pioneer Road North
Singapore 628474

SHARE REGISTER
B.A.C.S. 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 Kim Lian
(Appointed for financial year 2011)

PRINCIPAL BANKERS
Oversea-Chinese Banking Corporation Limited
Standard Chartered Bank
United Overseas Bank Limited
DBS Bank Limited
Malayan Banking Berhad
Bangkok Bank Public Company Limited
Hong Kong & Shanghai Banking Corporation Limited
CITIC Bank International

INVESTOR RELATIONS CONSULTANTS
NRA Capital Pte Ltd
133 Cecil Street
#04-02 Keck Seng Tower
Singapore 069535

FINANCIAL CONTENTS

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 the 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 five 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 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 prepared a document with guidelines setting forth matters, such as transactions relating to investment, financing, legal and corporate secretarial which are reserved for Board's decision and the Management understands that it requires approval from the Board.

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 discharge their fiduciary duties and responsibilities in the interest of the Company at all times.

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 by the Board or delegated to Board Committees like the Audit Committee, Nominating Committee and Remuneration Committee or by Management through their executive mandate in the Group.

Statement of Corporate Governance

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 2011.

Name	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Ang Yu Seng	4	4	4	4	2	2	NA	NA
Ang Yew Lai (Retired on 13 June 2011)	4	4	4	4	NA	NA	NA	NA
Ang Yew Chye	4	4	4	4	NA	NA	NA	NA
Chan Kok Poh	4	4	4	4	NA	NA	1	1
Chang Yeh Hong	4	4	4	4	2	2	1	1
Siau Kai Bing	4	4	4	4	2	2	1	1

Principle 2: Board Composition and Balance

The Company endeavors to maintain a strong and independent element on the Board. The Board comprises five 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, its substantial shareholders 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. These said directors are considered to be independent by the Board, after taking into account the views of the Nominating Committee ("NC") as well as the directors' character and judgment. The NC reviews and determines the independence of directors annually.

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 requirement of the business and the need to avoid undue disruptions from changes to the composition of the Board and committees. The Board is of the opinion that its current size of five board members is adequate for the current nature and scope of the Company's operations. Together, the Board members as a group possess an appropriate balance and diversity of skills, experience and knowledge of the company as well as 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".

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

The primary function of the NC is to determine the criteria for identifying candidates and reviewing nominations for the appointment and re-election 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 recommendation to the Board on all board appointments and re-nomination having regard the board's composition, progressive renewal to the board and each 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, and as and when circumstances require, 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 or her duties as a director of the Company taking in to consideration the director's number of listed company board representation and other principal commitments.

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

The Directors standing for re-election at the forthcoming AGM pursuant to Article 91 are Mr Ang Yew Chye and Mr Chang Yeh Hong.

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

Principle 5: Board Performance

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

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

Principle 6: Access to Information

The Board has separate and independent access to the Management and the Company Secretary of the Company at all times. Requests for information from the Board are dealt with promptly by the Management. The Board is informed of all material events and transactions as and when they occur. The Management provides the Board with quarterly reports of the Company's performance. The Management also consults with Board members regularly whenever necessary and appropriate. The Board is issued with 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 independent professional advisers to render professional advice at the company's expense.

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 developing policy on executive remuneration and for fixing the remuneration packages of individual directors. The overriding principle is that no director should be involved in deciding his or her 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 key management personnel;
- 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 if 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, options, share-based incentives and awards, and benefits-in-kind. The RC's recommendations are submitted for endorsement by the entire Board.

Principle 8: Level and Mix of Remuneration

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

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

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 2011 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 (%)
$750,000 to below $1,000,000					
Ang Yu Seng	38	52	–	10	100
$500,000 to below $750,000					
Ang Yew Lai (retired on 13 June 2011)	39	49	–	12	100
Ang Yew Chye	43	43	–	14	100
Below $50,000					
Chan Kok Poh	–	–	100	–	100
Chang Yeh Hong	–	–	100	–	100
Siau Kai Bing	–	–	100	–	100

Immediate Family Member 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 (retired on 13 June 2011) 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 2011 exceeded $250,000.

Remuneration of Key Executives

The gross remuneration received by each of the top 2 key management personnel (excluding Directors and CEO) of the company is as follows:

Remuneration Band	Number of Key Management Personnel
Below $250,000	**2**

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

The Company has in place a long-term incentive scheme under the Union Steel Holdings Employee Share Option Scheme ("the Scheme") administered by the RC. The Scheme was adopted by the Company on 28 June 2005. There were no share options granted to any person during the financial year ended 30 June 2011.

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 Singapore Exchange Securities Trading Limited ("SGX-ST") and the Annual Report to the shareholders, the Board has a responsibility to present a balanced and understandable assessment of the Group's performance, financial position including the prospects of the Group.

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. Siau Kai Bing	AC Chairman and Independent Director
Mr. Chang Yeh Hong	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 Board member's qualifications and experience are presented in this Annual Report under the heading "Board of Directors".

The terms of reference of the AC are:

- To review and report to the Board on the adequacy and effectiveness of the audit plan, system of internal accounting controls and the audit report in conjunction with both the internal and external auditors annually;
- To review the assistance given by the Company's officers to both the internal and external auditors;
- To review the scope and results of the external audit, and the independence and objectivity of the external auditor annually;
- To make recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of external auditors, and approving the remuneration and terms of engagement of external auditors;
- To review the financial statements of the Company including quarterly, half-year and full-year results and the respective announcements to ensure the integrity of the financial statements before submission to the Board of Directors;
- To give due consideration to the requirements of Singapore 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 auditors before recommending their re-nomination to the Board.

The AC has recommended to the Board the re-appointment of LTC LLP as the Company's external 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 judgement in decision-making, human error, fraud or other irregularities.

Principle 13: Internal Audit

The internal audit functions as an integral part of the Company's policies and procedures set out by the Board to discharge its responsibilities. An Internal Audit team from an independent external accounting firm has been engaged to review the ongoing effectiveness of the internal control systems. The internal auditors are responsible for reviewing, appraising and reporting upon the application of these controls to the Audit Committee.

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

COMMUNICATION WITH SHAREHOLDERS

Principle 14: Communication with Shareholders

The Board and Management believe in regular and timely communications with shareholders as part of the Company's development to build systems and procedures that will enable it to engage shareholders effectively. In line with continuous obligations of the Company pursuant to the Singapore Exchange's Listing Rules, the Board's policy is that all shareholders should be equally informed of all major developments impacting the Group.

Information is disseminated to shareholders on a timely basis through:

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

Principle 15: Greater Shareholder Participation

At AGMs, shareholders are given the opportunity to voice their views and ask Directors or Management questions regarding the Company. The Chairman of the Audit, Remuneration and Nominating Committees will usually be present at Annual General Meetings to answer any questions relating to the work of these committees. The external 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. 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.

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 2011 and the statement of financial position of the Company as at 30 June 2011 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 Chye
Chan Kok Poh
Chang Yeh Hong
Siau Kai Bing

2. Arrangements to enable directors to acquire shares and debentures

Neither at the end of the financial year nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed in the paragraph below.

3. Directors' interests in shares and debentures

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

	Number of ordinary shares		**Number of warrants**	
The Company	**At 1 July 2010**	**At 30 June 2011**	**At 1 July 2010**	**At 30 June 2011**
Ang Yu Seng	114,373,674	**137,248,408**	22,874,734	**–**
Ang Yew Chye	24,957,526	**29,576,431**	4,618,905	**–**
Chan Kok Poh	200,000	**240,000**	40,000	**–**
Chang Yeh Hong	100,000	**100,000**	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 2011.

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

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 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 this Scheme.

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 2011 are as follows:-

Date of grant of warrants	Exercise price per share	Warrants outstanding at 1 July 2010	Warrants granted	Warrants exercised	Warrants expired at 14 April 2011	Warrants outstanding at 30 June 2011	Exercise period
15 April 2008	$0.12	65,046,050	–	(42,300,839)	(22,745,211)	–	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:

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

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.

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 Chye
Director

Singapore, 26 September 2011

Statement by Directors

For the financial year ended 30 June 2011

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 30 to 83 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 2011 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 Chye Director

Singapore, 26 September 2011

Independent Auditor's Report

To the Members of Union Steel Holdings Limited
For the financial year ended 30 June 2011

Report on the Financial Statements

We have audited the accompanying financial statements of Union Steel Holdings Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 30 to 83 which comprise the statements of financial position of the Company and of the Group as at 30 June 2011, 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 information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards, and for 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, that transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

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 about 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 controls relevant to the entity's preparation of financial statements that give a true and fair view 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, 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 2011 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.

Report on Other Legal and Regulatory Requirements

In our opinion, 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, 26 September 2011

Consolidated Statement of Comprehensive Income

For the financial year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Revenue	5	**101,983**	130,058
Cost of sales		**(88,813)**	(118,855)
Gross profit		**13,170**	11,203
Other income	6	**15,687**	12,632
Distribution and marketing expenses		**(724)**	(1,375)
Administrative expenses		**(9,724)**	(8,812)
Other operating expenses	7	**(5,938)**	(8,571)
Finance expenses	8	**(934)**	(1,054)
Profit before income tax	9	**11,537**	4,023
Income tax expense	10	**(1,512)**	20
Net profit representing total comprehensive income for the year		**10,025**	4,043
Total comprehensive income attributable to:			
Equity holders of the Company		**10,025**	4,043
Non-controling interest		**–**	–
		10,025	4,043
Earnings per share (cents)			
- Basic	11	**2.78**	1.15
- Diluted	11	**2.78**	1.14

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

Statements of Financial Position

As at 30 June 2011

	Note	GROUP		COMPANY	
		2011	2010	2011	2010
		$'000	$'000	$'000	$'000
ASSETS					
Current assets					
Cash and cash equivalents	12	**30,171**	19,202	**11,240**	12,712
Financial assets, at fair value through profit or loss	13	**–**	2,796	**–**	–
Trade and other receivables	14	**9,468**	10,222	**2,638**	1,119
Inventories	15	**40,047**	62,315	**–**	–
		79,686	94,535	**13,878**	13,831
Assets classified as held-for-sale	16	**188**	1,697	**–**	–
Total current assets		**79,874**	96,232	**13,878**	13,831
Non-current assets					
Goodwill	17	**1,237**	1,237	**–**	–
Property, plant and equipment	18	**29,293**	13,772	**–**	97
Investments in subsidiaries	19	**–**	–	**18,708**	17,961
Investment property	20	**9,500**	8,500	**–**	–
Golf club membership	21	**159**	159	**159**	159
Financial assets, available-for-sale	22	**–**	1,376	**–**	1,376
Deferred income tax assets	23	**50**	175	**–**	15
Total non-current assets		**40,239**	25,219	**18,867**	19,608
Total assets		**120,113**	121,451	**32,745**	33,439
LIABILITIES					
Current liabilities					
Trade and other payables	24	**10,380**	7,863	**1,645**	518
Bank loans and bills payable	25	**20,645**	31,776	**–**	1,249
Finance lease liabilities	26	**–**	34	**–**	–
Deferred gain on sale of properties	27	**2,074**	2,074	**–**	–
Current income tax liabilities		**382**	260	**8**	–
Total current liabilities		**33,481**	42,007	**1,653**	1,767

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

Statements of Financial Position

As at 30 June 2011

	Note	GROUP 2011 $'000	GROUP 2010 $'000	COMPANY 2011 $'000	COMPANY 2010 $'000
Non-current liabilities					
Bank loans	25	**8,703**	14,805	**–**	3,411
Deferred gain on sale of properties	27	**2,938**	5,012	**–**	–
Deferred income tax liabilities	23	**1,541**	530	**–**	–
Total non-current liabilities		**13,182**	20,347	**–**	3,411
Total liabilities		**46,663**	62,354	**1,653**	5,178
Net assets		**73,450**	59,097	**31,092**	28,261
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	28	**36,603**	30,258	**36,603**	30,258
Capital reserve	29	**–**	1,914	**–**	1,914
Retained earnings / (accumulated losses)		**36,847**	26,925	**(5,511)**	(3,911)
		73,450	59,097	**31,092**	28,261
Non-controlling interest		**–**	–	**–**	–
Total equity		**73,450**	59,097	**31,092**	28,261

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 2011

	Share capital $'000	Capital reserve $'000	Retained earnings $'000	Total $'000
GROUP				
2011				
Balance as at 1 July 2010	30,258	1,914	26,925	59,097
Total comprehensive income for the year	–	–	10,025	10,025
Acquisition of non-controlling interests	–	–	(747)	(747)
Issue of new shares on conversion of warrants	6,345	(1,270)	–	5,075
Warrants expired	–	(644)	644	–
Balance as at 30 June 2011	36,603	–	36,847	73,450
2010				
Balance as at 1 July 2009	30,256	1,914	22,882	55,052
Total comprehensive income for the year	–	–	4,043	4,043
Issue of new shares on conversion of warrants	2	–	–	2
Balance as at 30 June 2010	30,258	1,914	26,925	59,097

	Share capital $'000	Capital reserve $'000	Accumulated losses $'000	Total $'000
COMPANY				
2011				
Balance as at 1 July 2010	30,258	1,914	(3,911)	28,261
Total comprehensive loss for the year	–	–	(2,244)	(2,244)
Issue of new shares on conversion of warrants	6,345	(1,270)	–	5,075
Warrants expired	–	(644)	644	–
Balance as at 30 June 2011	36,603	–	(5,511)	31,092
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

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 2011

	GROUP	
	2011	2010
	$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	**11,537**	4,023
Adjustments for:		
Depreciation of property, plant and equipment	**3,182**	4,111
Gain on disposal of property, plant and equipment	**(5,219)**	(1,920)
Loss on disposal of assets held-for-sale	**212**	–
Assets classified as held-for-sale written off	**178**	–
Fair value gain on investment property	**(815)**	(1,070)
Amortisation of deferred gain on sale of properties	**(2,074)**	(2,074)
Finance expenses	**934**	1,054
Interest income	**(64)**	(94)
Impairment of trade receivables	**54**	107
Impairment in financial assets, available-for-sale	**1,376**	955
Impairment of goodwill	**–**	1,000
Net reversal for impairment in value of inventories	**(1,266)**	(823)
OPERATING CASH FLOWS BEFORE WORKING CAPITAL CHANGES	**8,035**	5,269
Trade and other receivables	**700**	6,111
Inventories	**5,299**	(12,332)
Trade and other payables	**2,517**	(4,810)
CASH GENERATED FROM/(USED IN) OPERATIONS	**16,551**	(5,762)
Income tax paid	**(400)**	(601)
Income tax refunded	**146**	150
Interest paid	**(934)**	(1,054)
Interest received	**64**	94
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	**15,427**	(7,173)

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 2011

	GROUP	
	2011	2010
	$'000	$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment (Note A)	**(439)**	(1,538)
Purchase of investment property	**(185)**	(5,966)
Acquisition of non-controlling interest	**(747)**	–
Proceeds from disposal of property, plant and equipment	**5,483**	2,816
Financial assets, at fair value through profit or loss	**2,796**	(2,796)
Proceeds from disposal of assets held-for-sale	**826**	–
Withdrawal of short-term deposits pledged with a bank	**1,000**	–
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	**8,734**	(7,484)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares	**5,075**	2
Proceeds from bank loans	**13,000**	25,253
Decrease in bills payable	**(8,272)**	(12,178)
Repayment of bank loans	**(21,961)**	(10,310)
Repayment of finance lease liabilities	**(34)**	(940)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	**(12,192)**	1,827
Net increase/(decrease) in cash and cash equivalents	**11,969**	(12,830)
Cash and cash equivalents at beginning of financial year	**18,202**	31,032
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR (Note 12)	**30,171**	18,202

Note A

During the year, the Group acquired property, plant and equipment with an aggregate cost of approximately $439,000 (2010: $1,727,000) of which nil (2010: $189,000) were acquired by means of finance lease liabilities. Cash payment of about $439,000 (2010: $1,538,000) 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 2011

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

1. GENERAL INFORMATION

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 2011 were authorised for issue in accordance with a resolution of the directors on the date of the Statement by Directors.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

(a) Basis of accounting

These financial statements have been 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 critical 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 when indicated otherwise.

(b) Interpretations and amendments to published standards effective in 2011

On 1 July 2010, 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 revised FRS and INT FRS that are relevant to the Group:

Amendment to FRS 7 Cash Flow Statements (effective for annual periods beginning on or after 1 January 2010)

Under the amendment, only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows. Previously, there was no specific guidance on the type of expenditure that could be classified as investing activities in the statement of cash flows.

The adoption of the above FRS and INT FRS did not result in any substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Group accounting

(a) Subsidiaries

(i) Consolidation

Subsidiaries are entities over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities, 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. 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.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

(ii) Acquisition of businesses

The acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Group accounting (continued)

(a) Subsidiaries (continued)

(iii) Disposals of subsidiaries or businesses

When a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained investment at the date when control is lost and its fair value is recognised in profit or loss.

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 amount of the investments are recognised in profit or loss.

(b) Goodwill on acquisition

Goodwill on acquisitions of subsidiaries on or after 1 January 2010 represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired.

Goodwill on acquisition of subsidiaries prior to 1 January 2010 represents the excess of the cost of the acquisition over the fair value of the Group's share of the net identifiable assets acquired.

Goodwill on subsidiaries are recognised separately as intangible assets and 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) Transaction with non-controlling interests

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Group. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised in a separate reserve within equity attributable to the equity holders of the Company.

2.3 Property, plant and equipment

(a) Measurement

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

(b) Components of cost

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Property, plant and equipment (continued)

(c) Depreciation

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:

	Useful lives
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
Rental materials	10 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 financial year end 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.

(d) Subsequent expenditure

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.

(e) Disposal

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.

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 comparable market transactions that consider the sales of similar properties that have been transacted in the open market. 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. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: loans and receivables, financial assets, available-for-sale and financial assets, at fair value through profit or loss. 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.

(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 year end 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 year end date.

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

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

(b) Recognition and derecognition

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

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount in the fair value reserve relating to that asset is transferred to profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Financial assets (continued)

(c) Initial and subsequent measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transactions costs for financial assets at fair value through profit or loss are recognised immediately as expenses.

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

Changes in the fair value of financial assets at fair value through profit or loss including the effect of currency translation, interest and dividend, are recognised in the profit or loss when the changes arise.

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. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in profit or loss and the other changes are recognised in the fair value reserve. Changes in fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in the fair value reserve, together with the related currency translation differences.

(d) Impairment of financial assets

The Group assesses at each financial year end 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Impairment of non-financial assets

(a) Goodwill

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

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

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

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

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

(b) Property, plant and equipment
Investments in subsidiaries
Golf club membership

Property, plant and equipment and investments in subsidiaries and Golf club membership 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.

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. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 year end 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.

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

For the purpose of presentation in the consolidated statement of cash flows, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

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

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

2.15 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 year end 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Income taxes (continued)

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

Deferred income tax is measured:

(a) 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 year end date; and

(b) based on the tax consequence that will follow from the manner in which the Group expects, at the financial year end 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 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 year end 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 year end date;

(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. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Revenue recognition

Revenue 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. Revenue is presented net of goods, services and 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, 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 the 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 rental materials and machineries is recognised on a straight-line basis over the lease term.

(d) Interest income

Interest income is recognised using the effective interest method.

(e) Dividend income

Dividend income from investments is recognised when the right to receive payment is 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. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(i) 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.

(ii) 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.

(b) When the Group is the lessor

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

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. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Employee compensation

Employee benefits are recognised as an expense unless the cost qualifies to be capitalised as an asset.

(a) Defined contribution plans

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.

(b) 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 year end date.

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. SIGNIFICANT ACCOUNTING POLICIES (continued)

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) are based on quoted market prices at the financial year end 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 year end 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.

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.

(a) Critical judgements in applying the Group's accounting policies

(i) 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 2011 were $382,000 (2010: $260,000) and $1,541,000 and $50,000 (2010: $530,000 and $175,000) respectively.

(ii) 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 $1,376,000 (2010: $955,000) was charged to profit or loss.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

(a) Critical judgements in applying the Group's accounting policies (continued)

(iii) 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. In previous 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 and no further impairment allowance is required.

(b) Critical accounting estimates and assumptions

(i) Allowances for inventories

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 no impairment of inventory is required for the financial year ended 30 June 2011. The carrying amount of inventory as at 30 June 2011 is $40,047,000 (2010: $62,315,000).

(ii) Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on straight-line basis over their estimated 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 $29,293,000 (2010: $13,772,000).

(iii) 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 $54,000 (2010: $107,000) is adequate and the carrying amount of trade receivables of $8,834,000 (2010: $9,413,000) 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.

4. RELATED PARTY TRANSACTIONS

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

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 the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

(a) Significant transactions with subsidiaries:

	Company	
	2011	**2010**
	$'000	**$'000**
Management fees received from subsidiaries	**2,520**	2,400
Interest income	**64**	22

(b) Key management personnel compensation:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
Directors of the Company				
- remuneration	**2,119**	1,136	**2,119**	1,136
- fees	**113**	105	**113**	105
- contributions to Central Provident Fund	**19**	25	**19**	25
Directors of a subsidiary				
- remuneration	**–**	619	**–**	–
- contributions to Central Provident Fund	**–**	16	**–**	–
Other key management personnel				
- salaries and bonus	**130**	499	**130**	191
- contributions to Central Provident Fund	**11**	32	**11**	12
	2,392	**2,432**	**2,392**	**1,469**

5. REVENUE

	Group	
	2011	2010
	$'000	$'000
Sale of goods	**94,457**	124,669
Rental income	**5,292**	3,165
Service income	**2,234**	2,224
	101,983	130,058

6. OTHER INCOME

	Group	
	2011	2010
	$'000	$'000
Gain on disposal of property, plant and equipment	**5,219**	1,920
Rental of leasehold land and buildings, warehouses and office premises	**2,872**	3,636
Rental of investment property	**1,339**	555
Rental of plant and machinery	**114**	–
Amortisation of deferred gain on sale of properties (Note 27)	**2,074**	2,074
Compensation by customers and supplier	**395**	18
Transportation income	**535**	428
Storage income	**47**	68
Interest income	**64**	94
Insurance claims	**15**	45
Government grants - Jobs Credit Scheme	**–**	169
Reversal of impairment of trade receivables (Note 14)	**15**	–
Reversal of impairment in value of inventories	**1,266**	2,089
Fair value gain on investment property (Note 20)	**815**	1,070
Incentive income	**572**	–
Sundry income - others	**345**	466
	15,687	12,632

In 2010, 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 four 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	
	2011	2010
	$'000	$'000
Impairment loss on financial assets, available-for-sale (Note 22)	**1,376**	955
Rental of leasehold land and buildings, office premises, warehouse and yard	**3,587**	4,717
Foreign exchange loss	**476**	515
Assets classified as held-for-sale written off	**178**	–
Loss on disposal of assets held-for-sale	**212**	–
Impairment in value of inventories (Note 15)	**–**	1,266
Impairment of trade receivables (Note 14)	**54**	107
Impairment of goodwill	**–**	1,000
Bad trade receivables written off	**55**	11
	5,938	8,571

8. FINANCE EXPENSES

	Group	
	2011	2010
	$'000	$'000
Interest expense		
- Trust receipts	**162**	335
- Bank loans	**769**	676
- Finance lease liabilities	**3**	36
- Other	**–**	7
	934	1,054

9. PROFIT BEFORE INCOME TAX

	Group	
	2011	2010
	$'000	$'000
This is determined after charging:		
Depreciation of property, plant and equipment	**3,182**	4,111
Directors' fees	**113**	105

There was no non-audit fee paid to the Independent Auditor of the Company for the financial years ended 30 June 2011 and 30 June 2010.

10. INCOME TAX EXPENSE

	Group	
	2011	**2010**
	$'000	**$'000**
Current income tax		
- Current year	**379**	404
- (Over)/under provision in prior year	**(3)**	116
Deferred income tax		
- Current year	**1,232**	(96)
- Over provision in prior year	**(96)**	(444)
	1,512	(20)

The income tax expense varied from the amount of income tax expenses determined by applying the Singapore income tax rate to profit before income tax as explained below:

	Group	
	2011	**2010**
	$'000	**$'000**
Profit before income tax	**11,537**	4,023
Tax calculated at statutory tax rate of 17% (2010: 17%)	**1,961**	684
Income not subject to tax	**(716)**	(410)
Expenses not deductible for tax purposes	**370**	471
Tax saving on partial exempt income	**(67)**	(60)
(Over)/under provision of current income tax in prior year	**(3)**	116
Over provision of deferred income tax in prior year	**(96)**	(444)
Utilisation of unutilised capital allowance not recognised previously	**–**	(244)
Utilisation of unabsorbed tax losses not recognised previously	**–**	(188)
Tax incentives	**(38)**	–
Deferred tax assets not recognised	**153**	–
Others	**(52)**	55
	1,512	(20)

The Group has unabsorbed tax losses of approximately $2,345,000 (2010: $1,445,000) and unutilised capital allowances of approximately $1,024,000 (2010: $1,024,000). Of these, the potential tax benefits of unabsorbed tax losses of $1,445,000 (2010: $1,445,000) and unutilised capital allowances of $1,024,000 (2010: $1,024,000) have been utilised to offset against the tax effect of the excess of the carrying amount over the tax written values of qualifying property, plant and equipment computed at the end of the financial year. No deferred tax asset has been recognised in the financial statements in respect of the remaining unabsorbed tax losses of approximately $900,000 (2010: nil) due to the unpredictability of future profit streams.

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.

11. EARNINGS PER SHARE

(a) Basic earnings per share

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

	Group	
	2011	**2010**
Net profit attributable to equity holders of the Company ($'000)	**10,025**	4,043
Weighted average of ordinary shares outstanding for Basic earnings per share ('000)	**361,094**	351,478
Basic earnings per share	**2.78**	1.15

(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 the 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	
	2011	**2010**
Net profit attributable to equity holders of the Company ($'000)	**10,025**	4,043
Weighted average number of ordinary shares outstanding for Basic earnings per share ('000)	**361,094**	351,478
Adjustments for warrants ('000)	**–**	2,602
Weighted average number of ordinary shares outstanding for diluted earnings per share ('000)	**361,094**	354,080
Diluted earnings per share	**2.78**	1.14

12. CASH AND CASH EQUIVALENTS

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
Cash and bank balances	**26,134**	15,176	**7,203**	8,686
Short-term bank deposits	**4,037**	4,026	**4,037**	4,026
	30,171	19,202	**11,240**	12,712

12. CASH AND CASH EQUIVALENTS (continued)

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

	Group 2011 $'000	Group 2010 $'000
Cash and bank balances (as above)	**30,171**	19,202
Less: Bank deposits pledged	**–**	(1,000)
	30,171	18,202

Short-term bank deposits at the financial year end have an average maturity ranging from 30 days to 92 days (2010: 30 days to 92 days) since the end of the financial year with effective interest ranging from 0.2% to 0.4% (2010: 0.2% to 0.4%) per annum.

A bank deposit of nil (2010: $1,000,000) of the Group is pledged to a financial institution to secure short-term bank loan given to a subsidiary (Note 25 (ix)).

13. FINANCIAL ASSETS, AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Derivative financial assets

	Group 2011 $'000	Group 2010 $'000
Currency Linked Investment short-term deposits	**–**	2,796

In 2010, the Currency Linked Investment ("CLI") was 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.

(b) Non-hedging financial instruments

	Group		
	Contract notional amount	Fair value	
		Asset	Liability
	$'000	$'000	$'000
2011			
Currency forward contract	–	–	–
2010			
Currency forward contract	2,120	–	23*

*Included in trade and other payables (Note 24)

14. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Trade receivables - non-related parties	**8,890**	9,520	**–**	–
Less: allowance for impairment of receivables non-related parties	**(56)**	(107)	**–**	–
Trade receivables - net	**8,834**	9,413	**–**	–
Loan receivable from subsidiary (Note 19)	**–**	–	**2,613**	1,075
Prepayments	**217**	322	**21**	23
Other receivables				
- Subsidiaries	**–**	–	**–**	21
- Non-related parties	**417**	487	**4**	–
	9,468	10,222	**2,638**	1,119

Loan receivable from subsidiary is unsecured, bears interest at 2.3% (2010: 5%) per annum and repayable on demand.

Other receivables in 2010 due from subsidiaries were unsecured, interest-free and repayable on demand.

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

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Beginning of financial year	**107**	439	**–**	–
Current year charge (Note 7)	**54**	107	**–**	–
Amount written off	**(90)**	(439)	**–**	–
Reversal of allowance no longer required (Note 6)	**(15)**	–	**–**	–
End of financial year	**56**	107	**–**	–

The average credit period taken to settle the trade receivables is about 30 days (2010: 30 days). No interest is charged on outstanding balances.

Trade receivables that are individually determined to be impaired as at 30 June 2011 and 30 June 2010 relate to receivables that are in financial difficulties and have defaulted in payments.

15. INVENTORIES

	Group 2011 $'000	Group 2010 $'000
Trading inventories	**53,923**	61,493
Inventories-in-transit	**4,359**	2,088
	58,282	63,581
Less: Transfer to property, plant and equipment	**(18,235)**	–
Less: Allowance for impairment in value of inventories	**–**	(1,266)
	40,047	62,315

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

	Group 2011 $'000	Group 2010 $'000
Beginning of financial year	**1,266**	2,089
Current year charge	**–**	1,266
Reversal of allowance no longer required (Note 6)	**(1,266)**	(2,089)
End of financial year	**–**	1,266

The cost of inventories recognised as expense and included in cost of sales amounted to $80,159,000 (2010: $108,677,000).

The Group has recognised a reversal of $1,266,000 (2010: $2,089,000) being part of an inventory write-down made in 2010, as the inventories were sold above the carrying amounts during the financial year.

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 2011 $'000	Group 2010 $'000
Beginning of financial year	**1,697**	–
Reclassified (to)/from property, plant and equipment	**(293)**	1,559
Reclassified from inventories	**–**	138
	1,404	1,697
Less: Written off	**(178)**	–
Less: Disposal	**(1,038)**	–
End of financial year	**188**	1,697

17. GOODWILL

	Group	
	2011	**2010**
	$'000	**$'000**
Goodwill arising from acquisition of subsidiary		
Beginning of financial year	**1,237**	2,237
Less: Impairment charge	**–**	(1,000)
End of financial year	**1,237**	1,237

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 of 3% (2010: 3%).

The rates used to discount the forecast cash flows are 6% (2010: 4%) per annum based on the weighted average cost of capital of the respective CGU.

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	Rental materials $'000	Total $'000
Cost									
As 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)
As at 1 July 2010	13,204	–	785	2,346	397	16,651	4,030	–	37,413
Additions	–	–	18	6	159	256	–	–	439
Disposal/Written off	(3,677)	–	(50)	(141)	(71)	(617)	(552)	–	(5,108)
Reclassified from inventories	–	–	–	–	–	–	–	18,235	18,235
Reclassified from assets held-for-sale (Note 16)	–	–	2	–	34	257	–	–	293
As at 30 June 2011	9,527	–	755	2,211	519	16,547	3,478	18,235	51,272
Accumulated depreciation									
As 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)
As at 1 July 2010	5,654	–	736	2,027	352	11,799	3,073	–	23,641
Depreciation charge	864	–	24	149	39	1,587	519	–	3,182
Disposal/Written off	(3,503)	–	(47)	(141)	(72)	(567)	(514)	–	(4,844)
As at 30 June 2011	3,015	–	713	2,035	319	12,819	3,078	–	21,979
Carrying amount									
As at 30 June 2011	6,512	–	42	176	200	3,728	400	18,235	29,293
As at 30 June 2010	7,550	–	49	319	45	4,852	957	–	13,772

18. PROPERTY, PLANT AND EQUIPMENT (continued)

COMPANY	Motor vehicles, trucks and cranes $'000
Cost	
As at 1 July 2009 & 1 July 2010	338
Disposal	(338)
As at 30 June 2011	–
Accumulated depreciation	
As at 1 July 2009	174
Depreciation charge	67
As at 1 July 2010	241
Depreciation charge	61
Disposal	(302)
As at 30 June 2011	–
Carrying amount	
As at 30 June 2011	–*
As at 30 June 2010	97

(i) As at 30 June 2010, the Group had property, plant and equipment with carrying amount of $2,022,000 acquired under finance lease liabilities.

(ii) Particulars of the properties held by the Group as at 30 June 2011 are as follows:

Location	Description	Tenure
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 carrying amount of $6,512,000 (2010: $7,127,000).

(iv) *Amount is below $1,000

19. INVESTMENTS IN SUBSIDIARIES

	Company 2011 $'000	Company 2010 $'000
Unquoted equity shares, at cost		
Beginning of financial year	**17,961**	17,961
Additions	**747**	–
End of financial year	**18,708**	17,961

Name of subsidiaries	Principal activities	Country of incorporation/ place of business	Percentage of equity held 2011	Percentage of equity held 2010
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 and rental of materials	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)	For 2010, recycling of all kinds of scrap metals and materials For 2011, holding investment property	Singapore	100	65

All the above subsidiaries are audited by LTC LLP

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

20. INVESTMENT PROPERTY

	Group 2011 $'000	Group 2010 $'000
Beginning of financial year	**8,500**	–
Additions	**185**	–
Reclassification from property, plant and equipment (Note 18)	**–**	7,430
Fair value gain recognised in profit or loss (Note 6)	**815**	1,070
End of financial year	**9,500**	8,500

Investment property is carried at fair value at the financial year end as determined by Chesterton Suntec International Pte Ltd, an independent valuer with a recognised and relevant professional qualification and experience in the location and category of the properties being valued. Valuations are made annually based on comparable market transactions that consider the sales of similar properties that have been transacted in the open market.

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

20. INVESTMENT PROPERTY (continued)

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

The following amounts are recognised in profit or loss:

	Group	
	2011	2010
	$'000	$'000
Rental income (Note 6)	**1,339**	555
Direct operating expenses arising from investment property that generated rental income	**(1)**	(9)
Property tax and other direct operating expenses arising from investment property that did not generate rental income	**(345)**	(226)

Particulars of investment property held by the Group as at 30 June 2011 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

21. GOLF CLUB MEMBERSHIP

	Group and Company	
	2011	2010
	$'000	$'000
At cost	**159**	159
Market value	**230**	220

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

22. FINANCIAL ASSETS, AVAILABLE-FOR-SALE

	Group and Company	
	2011	2010
	$'000	$'000
Beginning of financial year	**1,376**	2,331
Impairment loss (Note 7)	**(1,376)**	(955)
End of financial year	**–**	1,376

The above are denominated in Indonesian Rupiah.

The Group has recognised an impairment loss of $1,376,000 (2010: $955,000) 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	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
Deferred income tax assets				
- to be recovered after one year	**50**	175	**–**	15
Deferred income tax liabilities				
- to be settled after one year	**1,541**	530	**–**	–

Movement in deferred income tax account is as follows:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
Beginning of financial year	**355**	895	**(15)**	–
Tax (charged)/credited to profit or loss	**1,136**	(540)	**15**	(15)
End of financial year	**1,491**	355	**–**	(15)

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

<u>Deferred income tax liabilities</u>

	Group		
	Accelerated tax depreciation	**Fair value gains**	**Total**
	$'000	**$'000**	**$'000**
<u>2011</u>			
Beginning of financial year	480	50	530
(Credited)/charged to profit or loss	1,061	(50)	1,011
End of financial year	1,541	–	1,541
<u>2010</u>			
Beginning of financial year	895	–	895
(Credited)/charged to profit or loss	(415)	50	(365)
End of financial year	480	50	530

23. DEFERRED INCOME TAX (continued)

Deferred income tax assets

	Group Tax losses $'000	Company Tax losses $'000
2011		
Beginning of financial year	(175)	(15)
Charged to profit or loss	125	15
End of financial year	(50)	–
2010		
Beginning of financial year	–	–
Charged to profit or loss	(175)	(15)
End of financial year	(175)	(15)

24. TRADE AND OTHER PAYABLES

	Group		Company	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Trade payables - non-related parties	**5,796**	2,521	**–**	–
Rental deposits	**1,036**	2,391	**–**	–
Advances from customers	**474**	835	**–**	–
Accruals for operating expenses	**1,260**	1,377	**556**	269
Accruals for directors' fees	**113**	105	**113**	105
Accruals for directors' profit sharing	**976**	–	**976**	–
Accruals for legal claims	**–**	143	**–**	–
Non-hedging financial instruments (Note 13)	**–**	23	**–**	–
Other payables - non-related parties	**725**	468	**–**	144
	10,380	7,863	**1,645**	518

The average credit period taken to settle the trade payables is about 45 days (2010: 45 days). No interest is charged on outstanding balances.

In 2010, the accruals for legal claims was in respect of certain legal claims brought against the Group by customers. The claim was fully settled during the financial year.

25. BANK LOANS AND BILLS PAYABLE

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
<u>Current</u>				
Bank loan I - secured	**733**	880	**–**	–
Bank loan II - secured	**259**	241	**–**	–
Bank loan III - secured	**479**	600	**–**	–
Bank loan IV - unsecured	**–**	830	**–**	–
Bank loan V - unsecured	**–**	1,249	**–**	1,249
Bank loan VI - unsecured	**–**	1,147	**–**	–
Bank loan VII - unsecured	**233**	–	**–**	–
Bank loan VIII - unsecured	**1,284**	–	**–**	–
Short-term bank loans - unsecured	**9,100**	10,000	**–**	–
Bills payable to banks - unsecured	**8,557**	16,829	**–**	–
	20,645	31,776	**–**	1,249
<u>Non-current</u>				
Bank loan I - secured	**–**	733	**–**	–
Bank loan II - secured	**708**	978	**–**	–
Bank loan III - secured	**3,582**	4,050	**–**	–
Bank loan IV - unsecured	**–**	1,780	**–**	–
Bank loan V - unsecured	**–**	3,411	**–**	3,411
Bank loan VI - unsecured	**–**	3,853	**–**	–
Bank loan VII - unsecured	**1,733**	–	**–**	–
Bank loan VIII - unsecured	**2,680**	–	**–**	–
	8,703	14,805	**–**	3,411
Total	**29,348**	46,581	**–**	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	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
12 months or less	**20,645**	31,776	**–**	1,249
1 - 5 years	**6,353**	13,155	**–**	3,411
Over 5 years	**2,350**	1,650	**–**	–
	29,348	46,581	**–**	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. The bank loan is secured by the Group's leasehold land and building as disclosed in Note 18.

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 $23,635. 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. It is secured by the Group's leasehold land and building as disclosed in Note 18.

(iii) Bank loan III

In 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. The bank loan is secured by the Group's investment property as disclosed in Note 20.

(iv) Bank loan IV

In 2010, a subsidiary obtained a $3,000,000 bank loan. The loan was repayable over 4 years by monthly instalments of $69,088. The loan bore 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. The loan had been fully paid off during the year through a new bank loan obtained, Bank Loan VII.

(v) Bank loan V

In 2010, the Company obtained a $5,000,000 bank loan. The loan was unsecured, bore interest at 5% per annum and repayable over 4 years by monthly instalments of $120,685.

The Company had fully paid off the loan during the financial year.

(vi) Bank loan VI

In 2010, a subsidiary obtained a $5,000,000 bank loan. The loan was repayable over 4 years by monthly instalments of $115,146. The loan bore 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. The loan had been fully paid off during the year through a new bank loan obtained, Bank Loan VIII.

(vii) Bank loan VII

During the financial year, a subsidiary obtained a $1,963,954 bank loan. The loan is repayable over 8 years by monthly instalments of $21,809. The loan bears interest at 1.6% per annum for the first year, 1.8% for the second year and 2% below Non Residential Mortgage Board Rate for the third year and thereafter. This loan is secured by corporate guarantee given by the Company.

(viii) Bank loan VIII

During the financial year, a subsidiary obtained a $4,500,000 bank loan. The loan is repayable over 3.5 years by monthly instalments of $107,000. The loan bears interest at cost of fund plus 2% per annum. This loan is secured by corporate guarantee given by the Company.

25. BANK LOANS AND BILLS PAYABLE (continued)

(ix) 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.

In 2010, a short-term bank loan of $1,000,000 was also secured by a pledged bank deposit of $1,000,000 as disclosed in Note 12.

Fair value of non-current borrowings

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Bank borrowings	**8,703**	14,332	–	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	
	2011	2010	2011	2010
Bank borrowings	**5.25%**	5.25%	**–**	5.25%

26. FINANCE LEASE LIABILITIES

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Minimum lease payments payable:				
Within one year	**–**	37	**–**	34
Within two to five years	**–**	–	**–**	–
	–	37	**–**	34
Finance charges allocated to future periods	**–**	(3)	**–**	–
	–	34	**–**	34
Less: Repayable within one year included under current liabilities			**–**	–
Repayable after one year			**–**	34

The effective interest rate in 2010 was 6.70% per annum for the Group.

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	
	2011	2010
	$'000	$'000
Beginning of financial year	**7,086**	9,160
Credited to the statement of comprehensive income (Note 6)	**(2,074)**	(2,074)
End of financial year	**5,012**	7,086
Less: Classified under current liabilities	**(2,074)**	(2,074)
Non-current liabilities	**2,938**	5,012

28. SHARE CAPITAL

	Number of ordinary shares		Group and Company	
	2011	2010	2011	2010
	'000	'000	$'000	$'000
Issued and fully paid:				
At beginning of financial year	**351,480**	351,468	**30,258**	30,256
Shares issued arising from conversion of warrants	**42,301**	12	**6,345**	2
At end of financial year	**393,781**	351,480	**36,603**	30,258

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 42,300,839 (2010: 12,000) ordinary shares upon the exercise of 42,300,839 (2010: 12,000) warrants for a total consideration of $6,345,000 (2010: $2,000) for working capital purposes. The newly issued shares rank pari-passu in all respects with the previously issued shares.

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, 42,300,839 (2010: 12,000) units of warrants were converted into ordinary shares for a total consideration of $6,345,000 (2010: $2,000) for working capital purposes. The balance of 22,745,211 units of warrants amounting to $645,000 that has expired were transferred from capital reserve to retained earnings. The Company has nil (2010: 65,046,050) outstanding warrants as at the financial year end.

29. CAPITAL RESERVE (continued)

The movement in the capital reserve is as follows:

	Group and Company	
	2011	2010
	$'000	$'000
Beginning of financial year	**1,914**	1,914
Issue of warrants		
42,300,839 (2010: 12,000) warrants conversion at $0.12 per share	**(1,270)**	–*
Warrants expired	**(644)**	–
End of financial year	**–**	1,914

*Amount is below $1,000

30. EMPLOYEE COMPENSATION

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Wages, salaries and bonus	**5,903**	6,118	**2,551**	1,591
Employer's contributions to Central Provident Fund	**401**	357	**95**	64
Other staff related expenses	**530**	613	**173**	229
	6,834	7,088	**2,819**	1,884

The above include key management personnel compensation as disclosed in Note 4 (b).

31. DIVIDEND

In respect of the current year, the directors propose that a final dividend of 0.3 cents per share will be paid to shareholders on 17 November 2011. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The proposed dividend is payable to all shareholders on the Register of Members on 17 November 2011. The total estimated dividend to be paid is $1,000,000.

32. OPERATING LEASE COMMITMENTS

(a) Where the 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	
	2011	**2010**
	$'000	**$'000**
Not later than one year	**4,741**	4,929
Later than one year and not later than five years	**9,236**	12,038
Later than five years	**9,603**	11,029
	23,580	27,996

The rental expense for the financial year amounted to $5,216,000 (2010: $4,947,000).

(b) Where the 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.

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	
	2011	**2010**
	$'000	**$'000**
Not later than one year	**2,963**	3,390
Later than one year and not later than five years	**749**	3,091
	3,712	6,481

The rental income for the financial year amounted to $4,325,000 (2010: $4,191,000). The leases have terms from 1 year to 3 years (2010: 1 year to 3 years).

33. GUARANTEES

	Group	
	2011	**2010**
	$'000	**$'000**
Bankers' guarantee	**3,412**	3,563

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

Corporate guarantees of $88,157,000 (2010: $99,675,000) are given by the Company to financial institutions for credit facilities granted to the subsidiaries.

33. GUARANTEES (continued)

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.

34. 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 nine primary geographic areas: Singapore, People's Republic of China, Bangladesh, India, Indonesia, Japan, Malaysia, Taiwan and United Kingdom. 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 materials, provision of services in relation to waste management services and demolition.

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.

34. SEGMENT INFORMATION (continued)

34.1 Business segments

	Recycling		Trading		Others		Total	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Segment revenue								
Sales to external customers	55,774	93,523	38,685	31,357	7,524	5,178	101,983	130,058
Segment result	(3,884)	(2,947)	2,688	879	5,378	1,470	4,182	(598)
Other income							15,687	12,632
Unallocated expenses								
- Employee compensation							(2,040)	(2,018)
- Depreciation							(89)	(31)
- Impairment of financial assets, held-for-sale							(1,376)	(955)
- Impairment loss of goodwill							–	(1,000)
- Foreign exchange (loss)/gain							(6)	143
- Land rent and rental expenses							(1,976)	(1,880)
- Others							(1,911)	(1,216)
Profit from operations							12,471	5,077
Finance expenses							(934)	(1,054)
Profit before income tax							11,537	4,023
Income tax expense							(1,512)	20
Net profit							10,025	4,043
Other information:								
Depreciation	1,893	2,344	988	1,218	301	549	3,182	4,111
Capital expenditure	236	1,229	166	187	37	6,276	439	7,692
ASSETS								
Segment assets	52,562	40,733	42,518	57,627	12,371	7,471	107,451	105,831
Unallocated assets								
- Cash and cash equivalents							11,240	12,712
- Goodwill							1,237	1,237
- Financial assets, available-for-sale							–	1,376
- Others							184	295
Total assets							120,112	121,451
LIABILITIES								
Segment liabilities	14,441	29,177	21,933	26,292	8,767	1,707	45,141	57,176
Unallocated liabilities								
- Trade and other payables							1,514	518
- Borrowings							–	4,660
- Others							8	–
Total liabilities							46,663	62,354

34. SEGMENT INFORMATION (continued)

34.2 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.

	2011			2010		
	Segment revenue	Carrying amount of segment assets	Capital expenditure	Segment revenue	Carrying amount of segment assets	Capital expenditure
	$'000	$'000	$'000	$'000	$'000	$'000
China (inclusive Hong Kong)	**2,978**	**–**	**–**	20,673	–	–
Singapore	**69,211**	**119,924**	**439**	55,890	120,964	7,692
Bangladesh	**–**	**–**	**–**	1,901	–	–
India	**11,745**	**64**	**–**	20,752	304	–
Indonesia	**6,258**	**–**	**–**	13,810	135	–
Malaysia	**4,403**	**–**	**–**	2,325	–	–
Japan	**1,025**	**–**	**–**	2,792	–	–
Taiwan	**1,051**	**1**	**–**	2,001	–	–
United Kingdom	**2,510**	**–**	**–**	2,382	–	–
Others *	**2,802**	**124**	**–**	7,532	48	–
	101,983	**120,113**	**439**	130,058	121,451	7,692

* Includes Netherland, Korea, Switzerland, Thailand, UAE, Mauritius and Timor Leste.

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.

35. SUBSEQUENT EVENT

Subsequent to the financial year, the Group has entered into an agreement to acquire 100% interest of Hock Ann Metal Scaffolding Pte Ltd in three tranches for a total purchase consideration capped at $24 million. First tranche will be at 60%, and second and third tranche will be at 20% each over 3 years.

36. FINANCIAL RISK MANAGEMENT

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.

36. FINANCIAL RISK MANAGEMENT (continued)

(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").

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 2011	SGD $'000	USD $'000	EUR $'000	IDR $'000	Total $'000
Financial assets					
Cash and cash equivalents	23,951	6,220	–	–	30,171
Trade and other receivables	9,009	242	–	–	9,251
	32,960	6,462	–	–	39,422
Financial liabilities					
Trade and other payables	5,380	4,516	10	–	9,906
Borrowings	20,792	8,556	–	–	29,348
	26,172	13,072	10	–	39,254
Net financial assets/(liabilities)	6,788	(6,610)	(10)	–	168
Less: Net financial assets denominated in the respective entities' functional currency	(5,177)	(2,418)	–	–	(7,595)
Currency exposure	1,611	(9,028)	(10)	–	(7,427)

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
Financial assets, at fair value through profit or loss	–	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)
Less: Net financial liabilities denominated in the respective entitites' functional currency	13,024	1,007	–	–	14,031
Currency exposure	(1,307)	(6,407)	–	1,376	(6,338)

36. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

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

At 30 June 2011	SGD $'000	USD $'000	EUR $'000	IDR $'000	Total $'000
Financial assets					
Cash and cash equivalents	11,200	40	–	–	11,240
Trade and other receivables	2,617	–	–	–	2,617
	13,817	40	–	–	13,857
Financial liabilities					
Trade and other payables	1,645	–	–	–	1,645
	1,645	–	–	–	1,645
Net financial assets	12,172	40	–	–	12,212
Less: Net financial assets denominated in the functional currency	(12,172)	–	–	–	(12,172)
Currency exposure	–	40	–	–	40

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
Less: Net financial assets denominated in the functional currency	(8,568)	–	–	–	(8,568)
Currency exposure	–	62	–	1,376	1,438

36. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

If the USD and IDR change against the SGD by 12% and 0% (2010: 3% 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:

	Increase / (Decrease) Profit after tax	Increase / (Decrease) Profit after tax
	2011	**2010**
	$'000	**$'000**
Group		
USD against SGD		
- Strengthened	(1,083)	(192)
- Weakened	1,083	192
IDR against SGD		
- Strengthened	–	96
- Weakened	–	(96)
Company		
IDR against SGD		
- Strengthened	–	96
- Weakened	–	(96)

(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.

36. FINANCIAL RISK MANAGEMENT (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.

Group	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	Over 5 years $'000	Total $'000
At 30 June 2011							
Assets							
Cash and cash equivalents	**4,037**	**–**	**–**	**–**	**–**	**–**	**4,037**
Liabilities							
Borrowings	**20,645**	**6,353**	**2,350**	**–**	**–**	**–**	**29,348**

	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	Over 5 years $'000	Total $'000
At 30 June 2010							
Assets							
Cash and cash equivalents	4,026	–	–	–	–	–	4,026
Liabilities							
Borrowings	28,551	4,111	1,650	3,259	9,044	–	46,615

36. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

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

Company	Variable rates		Fixed rates			
	Less than 12 months $'000	1 to 5 years $'000	Less than 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
At 30 June 2011						
Assets						
Cash and cash equivalents	4,037	–	–	–	–	4,037
Loan to subsidiary	–	–	2,613	–	–	2,613
Liabilities						
Borrowings	–	–	–	–	–	–

	Variable rates		Fixed rates			
	Less than 12 months $'000	1 to 5 years $'000	Less than 12 months $'000	1 to 5 years $'000	Over 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

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.

36. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

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

	Group	
	2011	**2010**
	$'000	**$'000**
By Geographical areas		
Singapore	**8,644**	8,528
India	**64**	304
Indonesia	**–**	134
Other countries	**126**	447
	8,834	9,413

(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 $8,061,000 (2010: $8,881,000).

(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	
	2011	**2010**
	$'000	**$'000**
Past due 0 to 3 months	**485**	436
Past due 4 to 6 months	**162**	57
Past due exceeded 6 months	**126**	39
	773	532

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

	Group	
	2011	**2010**
	$'000	**$'000**
Gross amount	**56**	107
Less: Allowance for impairment	**(56)**	(107)
	–	–

36. FINANCIAL RISK MANAGEMENT (continued)

(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 2011				
Trade and other payables	10,380	–	–	–
Borrowings	20,929	2,424	4,278	2,451
At 30 June 2010				
Trade and other payables	7,863	–	–	–
Borrowings	32,544	5,355	9,018	1,714

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% (2010: 150%). The Group's strategies, which were unchanged from 2010, 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	
	2011 $'000	2010 $'000
Net debt	**9,557**	32,480
Total equity	**73,450**	59,097
Total capital	**83,007**	91,577
Gearing ratio	**12%**	35%

The Group and Company are in compliance with all externally imposed capital requirements for the financial years ended 30 June 2011 and 2010.

36. FINANCIAL RISK MANAGEMENT (continued)

(e) Fair values

Management has determined that the carrying amounts of current trade receivables, other receivables, cash and cash equivalents, trade payables, other payables and borrowings, based on their notional amounts, are reasonable approximation of fair values either due to their short-term nature or they are floating rate instruments that are re-priced to market rates on or near the financial year end date. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements.

The following table presents the Group's assets measured at fair value and classified by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets (Level 1);

(b) inputs other than quoted prices included within Level 1 that are observable for the assets either directly (is as prices) or indirectly (i.e. derived from prices) (Level 2) ; and

(c) inputs for the assets that are not based on observable market data (unobservable inputs) (Level 3).

2011	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**
Assets			
Financial assets, available-for-sale	–	–	–
Financial assets, at fair value through profit or loss	–	–	–
2010			
Assets			
Financial assets, available-for-sale	1,376	–	–
Financial assets, at fair value through profit or loss	–	2,796	–

37. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATION

Certain revised and amendments to FRSs have been issued that are effective for accounting periods on or after 1 July 2011 that are applicable to the Group as follows:

Amendments to FRS 12	Deferred tax - Recovery of Underlying Assets
FRS 24 (revised)	Related Party Disclosures
Amendments to FRS 107	Disclosures - Transfers of Financial Assets

(a) Amendments to FRS 12 - Deferred tax: Recovery of Underlying Assets

The amendments provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model in FRS 40 *Investment Property*. Under FRS 12, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. However, it is often difficult and subjective to determine the expected manner of recovery when the investment property is measured using the fair value model in FRS 40.

To provide a practical approach in such cases, the amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

37. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATION (continued)

(b) FRS 24 (revised) - Related Party Disclosures

The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. It also clarifies and simplifies the definition of a related party. However, the revised definition of a related party will also mean that some entities will have more related parties and will be required to make additional disclosures.

(c) Amendments to FRS 107 - Disclosures - Transfers of Financial Assets

The amendments will help users of financial statements evaluate the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position and will promote transparency in the reporting of transfer transactions, particularly those that involve securitisation of financial assets.

Shareholding Statistics

Issued and fully paid	:	SGD 35,202,719.68
Number of shares	:	393,781,089
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share

Distribution of shareholdings as at 16 September 2011

Size of shareholdings	No. of shareholders	%	No. of Shares	%
1 - 999	64	3.43	2,722	0.00
1,000 - 10,000	641	34.37	4,408,140	1.12
10,001 - 1,000,000	1,139	61.07	87,719,240	22.28
1,000,001 and above	21	1.13	301,650,987	76.60
Total	1,865	100.00	393,781,089	100.00

Twenty largest shareholders as at 16 September 2011

No.	Name of shareholders	No. of shares	%
1	Ang Yu Seng	137,248,408	34.85
2	Ang Yew Lai	47,171,050	11.98
3	Ang Yew Chye	29,576,431	7.51
4	Hong Leong Finance Nominees Pte Ltd	17,500,000	4.44
5	Goi Seng Hui	16,082,000	4.08
6	SBS Nominees Pte Ltd	10,590,000	2.69
7	Super Group Ltd	8,250,000	2.10
8	Lim & Tan Securities Pte Ltd	5,000,000	1.27
9	OCBC Securities Private Ltd	4,683,068	1.19
10	UOB Kay Hian Pte Ltd	3,988,000	1.01
11	Chong Thim Pheng	3,710,000	0.94
12	United Overseas Bank Nominees Pte Ltd	2,822,010	0.72
13	Lim Yong Luy	2,406,000	0.61
14	Cheng Buck Poh @ Chng Bok Poh	2,034,000	0.52
15	Ong Gim Loo	2,031,000	0.52
16	Seah Kiok Leng	2,000,000	0.51
17	CIMB Securities (Singapore) Pte Ltd	1,710,020	0.43
18	Lim Puay Lan	1,533,000	0.39
19	Chong Hock Ping	1,150,000	0.29
20	Goh Sian Chay	1,106,000	0.28
	Total:	300,590,987	76.33

Based on the information available to the Company as at 16 September 2011, approximately 37.02% of the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

Substantial Shareholders as at 16 September 2011

Name	Direct Interest	Percentage (%)	Indirect Interest	Percentage (%)
Ang Yu Seng	137,248,408	34.85	–	–
Ang Yew Lai	47,171,050	11.98	–	–
Ang Yew Chye	29,576,431	7.51	–	–
Goi Seng Hui #	16,082,000	4.08	17,500,000	4.44

Goi Seng Hui is deemed to be interested in 17,500,000 ordinary shares which were held in the name of Hong Leong Finance Nominees Pte Ltd.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of **UNION STEEL HOLDINGS LIMITED** will be held at 33 Pioneer Road North Singapore 628474 on Friday, 21 October 2011 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 2011 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 $113,000 for the financial year ended 30 June 2011 (2010: $105,000). Resolution 2

3. To approve the payment of Directors' Fees of up to S$120,000 for the financial year ending 30 June 2012. Resolution 3

4. To declare a first and final dividend (one tier) of 0.3 cents per ordinary share for the financial year ended 30 June 2011. Resolution 4

5. To re-elect Mr Ang Yew Chye, who is retiring by rotation pursuant to Article 91 of the Company's Articles of Association. Resolution 5

6. To re-elect Mr Chang Yeh Hong, who is retiring by rotation pursuant to Article 91 of the Company's Articles of Association. Resolution 6

   *Mr Chang Yeh Hong will, upon re-election as a Director of the Company, remain as the Chairman of the Nominating Committee, a member of Audit Committee and a member of the 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**").*

7. To re-appoint Messrs LTC LLP as the Auditors of the Company and to authorise the Directors to fix their remuneration. Resolution 7

8. 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 as Ordinary Resolutions:

9. **Authority to allot and issue shares up to fifty per cent (50%) of the issued shares in the capital of the Company** Resolution 8

   "That pursuant to Section 161 of the Companies Act, Chapter 50 ("**Companies Act**") and subject to Rule 806 of the Listing Manual of the SGX-ST, the Directors be and are hereby authorised and empowered to:

   (i) (a) allot and issue shares ("**Shares**") whether by way of rights, bonus or otherwise; and/or

   (b) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued during the continuance of such authority or thereafter, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

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

(ii) issue Shares in pursuance of any Instrument made or granted by the Board while such authority was in force (notwithstanding that such issue of the Shares pursuant to the Instruments may occur after the expiration of the authority contained in this Resolution);

provided that:

(1) the aggregate number of shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent (50%) of the issued shares in the capital of the Company (as calculated in accordance with sub- paragraph (2) below) of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed twenty per cent (20%) of the issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST, for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued shares shall be based on the number of issued shares (excluding treasury shares) in the capital of the Company at the time of passing this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting share awards which are outstanding or subsisting at the time this Resolution is passed; and

(b) any subsequent consolidation or sub-division of shares

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

(4) unless revoked or varied by the Company in general meeting, such authority conferred by this Resolution 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)]

10. **Authority to grant options and issue under “The Union Steel Holdings Employee Share Option Scheme (the “ESOS”)** Resolution 9

“That pursuant to Section 161 of the Companies Act, 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 always that the aggregate number of additional ordinary shares to be issued pursuant to the ESOS, shall not exceed fifteen per cent (15%) of the total number of issued shares (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 (ii)]

11. Renewal of Share Buy Back Mandate Resolution 10

"That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, 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 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) on market purchase(s) (each an "On-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 scheme(s) 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 as may the time being be applicable, be and is hereby authorised and approved generally and unconditionally ("Share Buy Back Mandate");

(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, 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 share 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:

ii) in the case of an On-Market Purchase, one hundred and five per cent (105%) of the Average Closing Price;

iii) in the case of an Off-Market Purchase pursuant to an equal access scheme, one hundred and twenty per cent (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 On-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 (iii)]

12. Authority to grant awards in accordance with the Union Steel Performance Share Scheme (the "Scheme") Resolution 11

"That pursuant to Section 161 of the Companies Act, the Directors of the Company be authorised and empowered to offer and grant awards under 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 exercise of awards granted by the Company under the Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional new Shares to be issued pursuant to the Scheme shall not exceed fifteen per cent (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 (iv)]

By Order of the Board

HELEN CAMPOS
Company Secretary

Singapore
5 October 2011

Notice of Annual General Meeting

Notes:

1. A member of the Company entitled to attend and vote at the Annual General 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, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies.

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

4. A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf. The appointment of 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 for holding of the forthcoming Annual General Meeting of the Company.

Explanatory Notes on Ordinary Business to be transacted:

i) The Ordinary Resolution 8 proposed in item 9, 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 Company, without seeking any further approval from the Shareholders in a General Meeting but within the limitation imposed by Ordinary Resolution 8, for such purposes as the Directors may consider would be in the best interests of the Company. The number of new Shares that the Directors may allot and issue under Ordinary Resolution 8 would not exceed fifty per cent (50%) of the total number of issued shares (excluding treasury capital) of the Company at the time of passing Ordinary Resolution 8. For issues of Shares other than on a pro rata basis to all shareholders of the Company, the aggregate number of shares to be allotted and issued shall not exceed twenty per cent (20%) of the total number of issued Shares in the capital of the Company (excluding treasury shares) at the time of the passing of Ordinary Resolution 8.

ii) The Ordinary Resolution 9 proposed 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 issue Shares in the Company pursuant to the exercise of options granted or to be granted under the ESOS (when added with Shares issued by the Company pursuant to the exercise of awards granted or to be granted under the ESOS) up to a number not exceeding in total (for the duration of the Scheme) fifteen per cent (15%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company from time to time.

iii) The Ordinary Resolution 10 proposed in item 11 above, if passed, will empower the Directors 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 earlier, to purchase or otherwise acquire issued ordinary shares of the Company by way of On-Market Purchases or Off-Market Purchases at prices up to but not exceeding ten per cent (10%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company at the Maximum Price on the terms and subject to the conditions of the Ordinary Resolution 10.

iv) The Ordinary Resolution 11 proposed in item 12 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 allot and issue Shares by the Company pursuant to the exercise of awards granted or to be granted under the Scheme (when added with Shares issued by the Company pursuant to the exercise of options granted or to be granted under the Scheme) up to a number not exceeding in total (for the entire duration of the Scheme) fifteen per cent (15%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company 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 vote should contact their CPF Approved Nominees.

PROXY FORM

(Please see notes overleaf before completing this Form)

*I/We________________________________NRIC/Passport No: ________________of

____being

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

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

And/or (delete as appropriate)

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 2011 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 Directors' Report and Financial Statements for the financial year ended 30 June 2011 together with the Auditors' Report thereon.		
2	Approval of Directors' Fees of $113,000 for the financial year ended 30 June 2011.		
3	Approval of Directors' Fees of up to S$120,000 for the financial year ending 30 June 2012.		
4	Approval of payment of proposed first and final dividend.		
5	Re-election of Mr Ang Yew Chye retiring pursuant to Article 91 of the Company's Articles of Association.		
6	Re-election of Mr Chang Yeh Hong retiring pursuant to Article 91 of the Company's Articles of Association.		
7	Re-appointment of Messrs LTC LLP as Auditor of the Company and authorisation of Directors to fix their remuneration.		
Special Business			
8	Authority to Directors to allot and issue new shares pursuant to Section 161 of the Companies Act, Cap 50.		
9	Authority to grant options and issue shares under the Union Steel Holdings Employee Share Option Scheme.		
10	Authority to grant renewal of Share Buy Back Mandate.		
11	Authority to grant awards in accordance with the Union Steel Performance Share Scheme.		

Dated this__________day of____________2011

Total number of Shares Held

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

* Delete accordingly

FOLD HERE FOR SEALING

PLEASE
AFFIX 26
CENTS
POSTAGE
STAMP
HERE

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

FOLD HERE

Notes: -

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

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

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

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

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

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

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

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

UNION STEEL HOLDINGS LIMITED

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