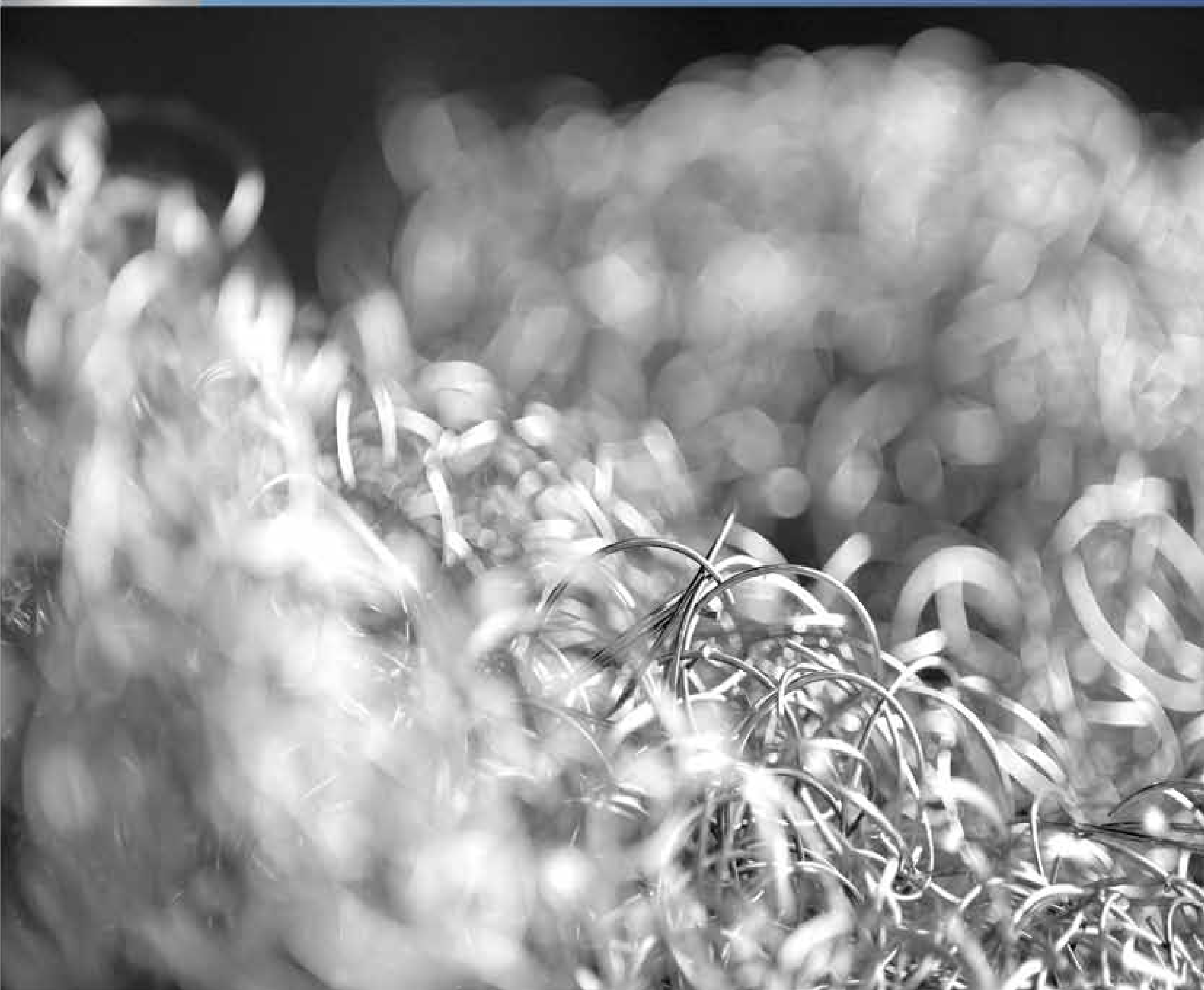
UNION STEEL HOLDINGS LIMITED

友联钢铁控股有限公司

# ANNUAL REPORT 2012



# CONTENTS

# Positioning for the Future

# Capturing Growth Opportunities

# 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 five subsidiary companies engaged in related 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 scaffolding services and related consultancy services, supply of scaffolding materials and skilled workers and buyback of used scaffolding materials.

With almost 30 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. In April 2012, the Group added provision of scaffolding services and related consultancy services to strengthen its position as preferred partner for steel solutions.

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 such as Korea, India, Pakistan, Indonesia, Malaysia, Singapore and United Arab Emirates. 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 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.

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 adheres to the guidelines set by the Singapore Standard.

Leveraging on our procurement and supply network, we also operate a 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.

### Leasing of Steel Materials

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.

### Scaffolding Services

The Group is involved in the provision of scaffolding services and related consultancy, supply of scaffolding materials and skilled workers and the buyback of used scaffolding materials through one of its subsidiary companies.

### Other Business

The Group also derives rental income through leasing of 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 is principally engaged in the collection, recycling and trading of ferrous scrap and the trading of steel products such as steel reinforcement bars, steel plates, H beams, I beams, pipes, sheet piles and wire rods. It also has an established steel plate rental business and provides waste collection and management services. YLS Steel Pte Ltd was accredited with ISO 9001 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 medium enterprises in the annual Singapore 500 Small and Medium Enterprises awards by DP Information Network Pte Ltd in 2004.

With 28 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. It operates as a collection center for ferrous and non-ferrous scrap.

### Hock Ann Metal Scaffolding Pte Ltd

Hock Ann Metal Scaffolding Pte Ltd is one of Singapore's leading scaffolding service providers. With its track record in delivering excellence, coupled with industry knowledge and safety awareness in the scaffolding industry, Hock Ann is the preferred partner of some of Singapore's most prominent construction companies. It specialises in scaffolding services and related consultancy, supply of scaffolding materials and skilled workers as well as buyback of used scaffolding materials.

With the first tranche of Hock Ann's acquisition completed in April 2012, the Group now owns 60% of the company.

### 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 2012.

FY2012 was another tough year for the metals industry as demand and prices trended downwards due to the slowing global economies, especially in the Eurozone and China. While the Singapore construction sector grew on the back of sustained investment in public infrastructure, competition amongst steel products traders was very keen. Amidst this challenging environment, the Group reported revenue of $85.1 million and net profit attributable to shareholders of $3.7 million for the twelve months ended 30 June 2012.

Notwithstanding the performance of last year, the Board is pleased to recommend a one-tier tax exempt final dividend of 0.25 cents per share (FY2011: 0.3 cents).

### Financial and Business Review

For the period under review, Group revenue declined 16.6% to $85.1 million. Revenue contribution from Recycling activities decreased from $55.8 million to $27.4 million in FY2012 on the back of lower export sales. Due to the difficult export markets, the Group has been focusing more on its local Steel Products Trading activities ("Trading") in the past financial year. Trading now accounted for 54% of Group revenue compared to 38% previously. Revenue contribution from Trading rose from $38.7 million to $45.9 million. Contribution from Other Businesses such as waste collection, demolition works and rental of steel materials also improved, from $7.5 million to $9.1 million.

In April 2012, the Group completed the acquisition of a 60% stake in Hock Ann Metal Scaffolding Pte Ltd ("Hock Ann"), an established and profitable scaffolding provider to the local construction industry. Hock Ann made a maiden revenue contribution of $2.7 million to Group's revenue for the three months to June 2012.

As a result of a lower margin product mix and lower selling prices, Group gross margins slipped from 12.9% to 10.0%. Gross profit decreased 35.5% from S$13.2 million to $8.5 million.

Total operating expenses fell 22.9% from $16.4 million to $12.6 million compared to the previous year, on the back of lower freight costs due to lower export sales, lower manpower costs, and the absence of provision of impairment of available-for-sale assets.

Other income decreased 32.3% from $15.7 million to $10.6 million due to lower gains on disposal of property and equipment and the absence of reversal of impairment of stock as in the previous year.

Consequently, operating profit decreased 48% to $6.5 million. Finance costs decreased by 25.8% mainly due to decrease in interest cost. However, the Group incurred an income tax expense of $1.7 million, or an increase of 15% over the previous year. This was mainly due to the provision for deferred tax liability, which represents substantially the tax effect of the excess of the Group's carrying amount over the tax written down value of property, plant and equipment as at 30 June 2012 and 2011.

### Financial Position

With prudent capital management, the Group's financial position remains healthy. As at 30 June 2012, total borrowings amounted to S$44.1 million, compared to cash and cash equivalents of $23.3 million. This translates to a net gearing of 0.2 times. Shareholders' equity rose from $73.5 million to S$85.6 million for the year while Net Asset Value per share was 19.3 cents (FY2011: 18.7 cents).

### Outlook

The deterioration in the sentiment in the global financial markets and economy, especially the Eurozone and the slowing Chinese economy, will create further uncertainty in the demand of metals as well as persistent price volatility. These will continue to weigh on the outlook for the Group's export sales. While it has increased its trading activities in the domestic market, the Group also faces intense competition and pressure on margins.

Operationally, the Group will continue to maintain a lean but flexible organisation, invest in upgrading its people and capabilities and manage its working capital structure prudently and efficiently.

The Group recognizes the need to diversify beyond our core business for the long term sustainability of the Group. The acquisition of Hock Ann is a step in that direction. Hock Ann provides all-round modular scaffolding for developments ranging from residential to industrial sites and has built up a strong track record for safety and excellence. With the completion of the acquisition of the first 60% tranche of Hock Ann, we will proceed to integrate its operations with our existing business. Given that we operate in the metals and construction-related

sector, there are significant opportunities to cross-sell our products to our respective customers. This would also help enhance the Group's overall competitive position in the marketplace.

We will continue with the planned acquisition of the remaining 40% of Hock Ann over the next two years. While we focus on the integration of Hock Ann, we are also actively seeking out similar value accretive and complementary businesses to augment the growth of the Group.

## Appreciation

On behalf of the Board of Directors, I would like to thank our shareholders for their patience and trust. We also acknowledge the support of our customers, suppliers, bankers and business partners through the years. Our management and staff have also been working extra hard during this difficult period to ensure that the Group remains profitable and we appreciate and thank them for their commitment to the Group.

I would also like to express my gratitude to my fellow board members, whose guidance and constructive contributions have been most valuable.

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

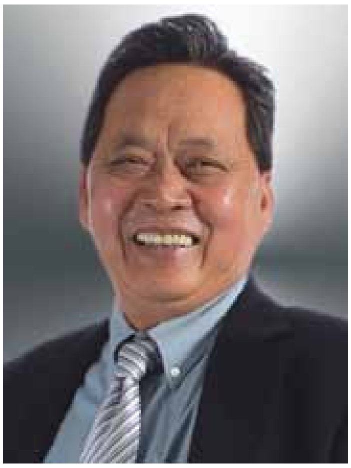
## OUR PROCESSES

# 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.

## 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 operation and management of the companies. Mr Ang has over 25 years of experience in the scrap metal recycling business.

## 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 Teh Hock Soon

*Group Financial Controller*

Mr Teh Hock Soon is currently Financial Controller of the Group. He is responsible for overseeing the Group's finance and accounting functions. Mr Teh has more than 20 years working experience in finance and accounting field. He began his career with Coopers & Lybrand Chartered Accountants firm. Prior to joining the Group, Mr Teh spent 14 years holding senior finance and accounting position in one of the local well established metal recycling firm. Mr Teh holds a Management Studies degree from Waikato University, New Zealand. He is a non-practising member of the Institute of Certified Public Accountants of Singapore and a member of Singapore Institute of Directors.

## Ms Ang Siew Chin

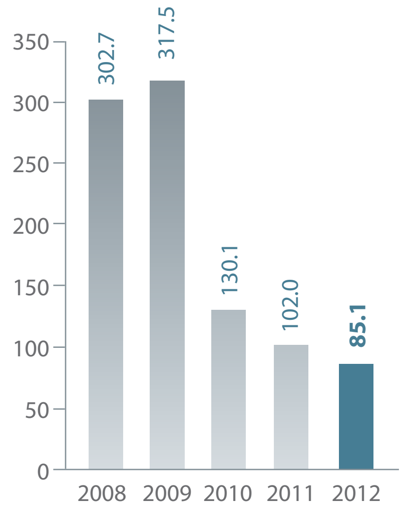
*Senior Operations Manager*

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.

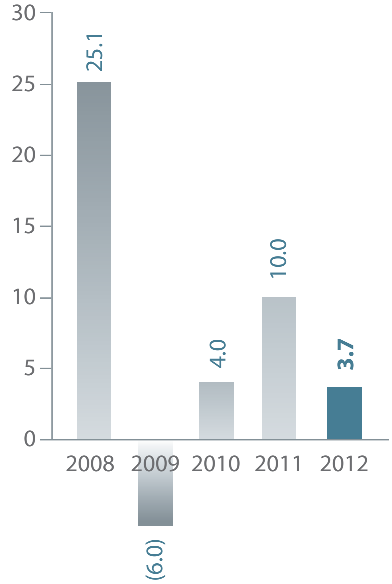
# FINANCIAL HIGHLIGHTS

| | FY 2012 | FY2011 | FY2010 | FY2009 | FY2008 |
|---|---|---|---|---|---|
| Group Turnover (S$'million) | **85.1** | 102.0 | 130.1 | 317.5 | 302.7 |
| Group Net Profit/(Loss) Attributable to Shareholdres (S$'million) | **3.7** | 10.0 | 4.0 | (6.0) | 25.1 |
| Group Gross Margin (%) | **10.0%** | 12.9% | 8.6% | 3.8% | 10.4% |
| Group EPS/(LPS) (cents) | **0.95** | 2.8 | 1.1 | (1.7) | 7.2 |
| Group NAV (cents) | **19.3** | 18.7 | 16.8 | 15.7 | 19.7 |

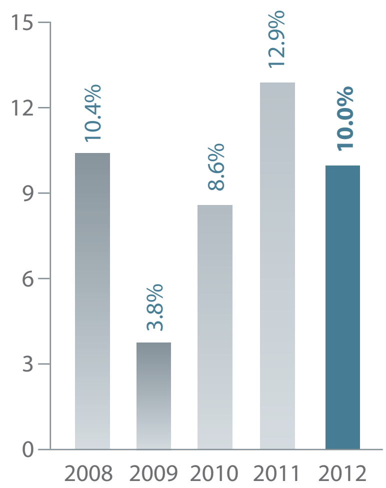
**Group Turnover**
(S$'million)



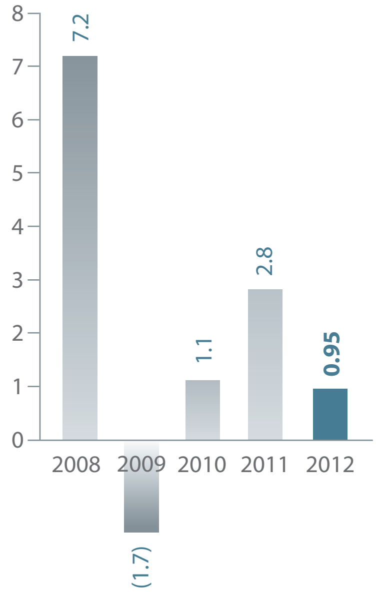

**Group Net Profit/(Loss) Attributable to Shareholders**
(S$'million)



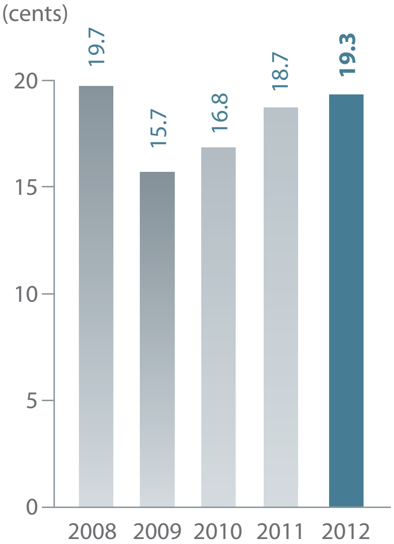

**Group Gross Margin**
(%)




**Group Earning/(Loss) Per Share** (cents)

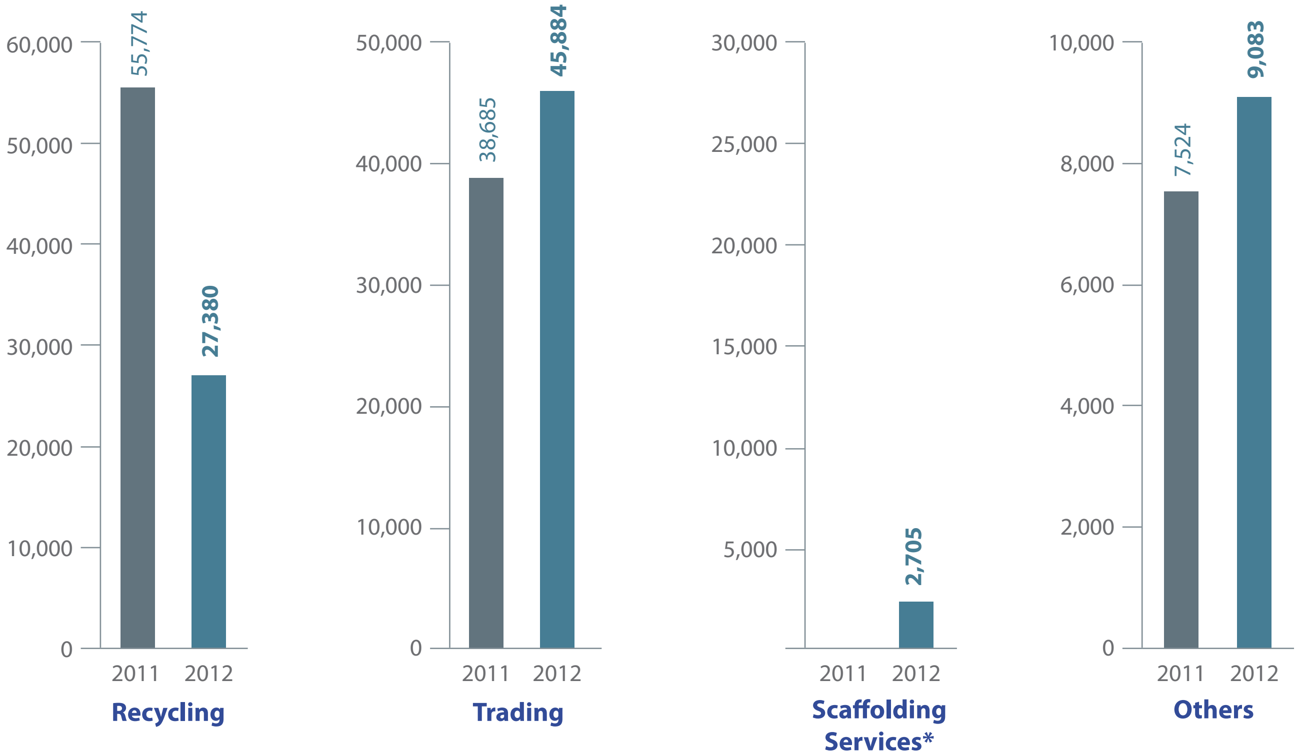



**Group NAV**
(cents)



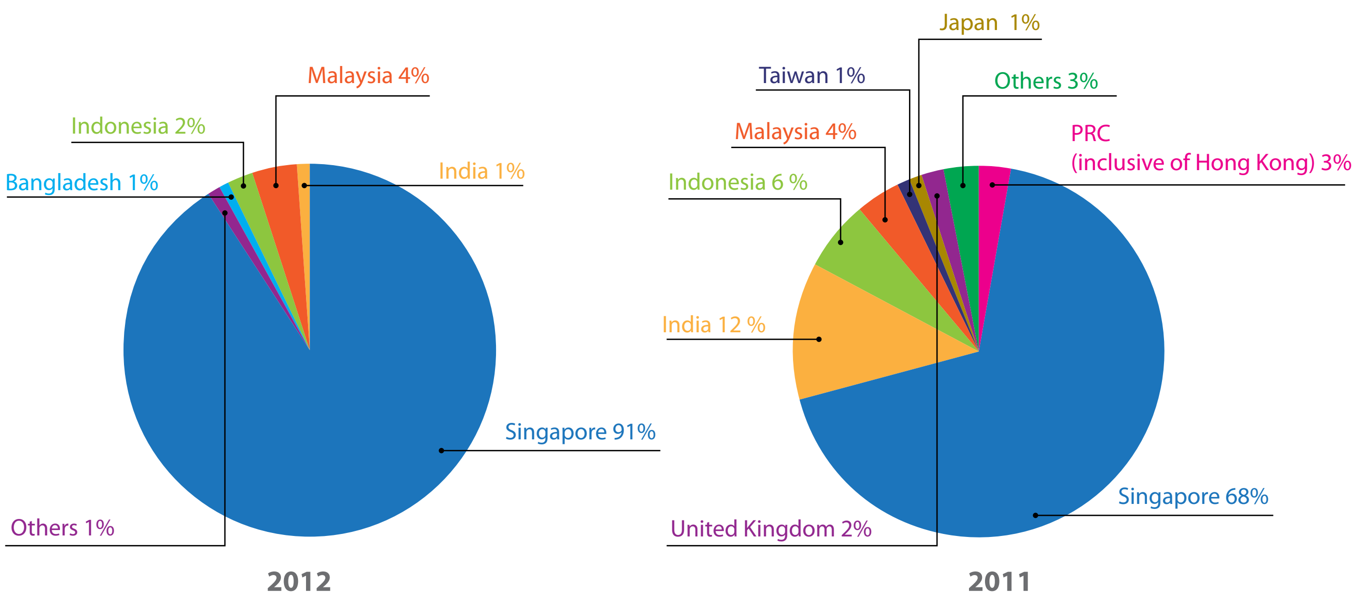
# FINANCIAL HIGHLIGHTS

## Segment Revenue
($'000)




*Contribution made by Hock Ann Metal Scaffolding Pte Ltd between April to June 2012; acquisition of 60% stake in Hock Ann was completed in April 2012.

## Group Revenue by Geographical Region



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Ang Yu Seng
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

Andrew Chua Yong Qiang
(Appointed for financial year 2012)

## 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
CITIC Bank International

## INVESTOR RELATIONS CONSULTANTS

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

# FINANCIAL CONTENTS

# STATEMENT OF CORPORATE GOVERNANCE

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

This report sets out the Company's corporate governance practices which were in place throughout the financial year ended 30 June 2012 and in compliance with all provisions of the Code of Corporate Governance (the "Code").

**BOARD MATTERS**

**Principle 1: The Board's Conduct of its Affairs**

The Board's primary role is to protect and enhance long-term shareholders' value. It sets the overall strategy for the Group and supervises the overall management of the Group. To fulfill this role, the Board is responsible for the overall corporate governance of the Group including setting strategic directions, establishing goals for Management and monitoring the achievement of these goals and reviewing the financial performance of the Group.

As at the date of this report, the Board comprises 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 (the "AC"), Nominating Committee (the "NC") and Remuneration Committee (the "RC") or by Management through their executive mandate in the Group.

The Board meets regularly on a quarterly basis. Ad hoc meetings will be called as and when warranted to deliberate on matters that require urgent attention. 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 2012.

| 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 | 5 | 5 | NA | NA | 1 | 1 | NA | NA |
| Any Yew Chye | 5 | 5 | NA | NA | NA | NA | NA | NA |
| Chan Kok Poh | 5 | 5 | 4 | 4 | NA | NA | 1 | 1 |
| Chang Yeh Hong | 5 | 5 | 4 | 4 | 1 | 1 | 1 | 1 |
| Siau Kai Bing | 5 | 5 | 4 | 4 | 1 | 1 | 1 | 1 |

**Principle 2: Board Composition and Balance**

The Company endeavors to maintain a strong and independent element on the Board. The Board comprises 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. The independent directors are considered to be independent by the Board, after taking into account the views of the 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 leading the Board to ensure its effectiveness, 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 assess the effectiveness of the Board as a whole;
- 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 Yu Seng and Mr Siau Kai Bing.

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

**Principle 5: Board Performance**

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

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

In reviewing and evaluating the Board's performance, the NC considers a set of quantitative and qualitative performance criteria and compares them with its industry peers. The performance criteria used by the NC during its evaluation of the board performance includes:

- Board size and composition;
- Board processes;
- Board's monitoring of strategy;
- Board's accountability;
- Access to information; and
- Risk management.

The performance criteria used by the NC during its evaluation of individual director performance includes:

- The extent of participations, preparations and contributions;
- Industry knowledge and functional expertise;
- Attendance at board and committee meetings;
- The amount of workload; and
- Independence.

**Principle 6: Access to Information**

The Board has separate and independent access to the Management and the Company Secretary 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 2012 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 (%) |
|---|---|---|---|---|---|
| | | | | | |
| **$500,000 to below $750,000** | | | | | |
| Ang Yu Seng | 53 | 32 | - | 15 | 100 |
| | | | | | |
| **$250,000 to below $500,000** | | | | | |
| Ang Yew Chye | 56 | 22 | - | 22 | 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 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 2012 exceeded $250,000.

**Remuneration of Key Executives**

The gross remuneration received by each of the top 6 key management personnel (excluding Directors and CEO) of the company is as follows:

| Remuneration Band | Number of Key Management Personnel |
|---|---|
| **Below $250,000** | **6** |

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

The Company has in place a long-term incentive scheme under the Union Steel Holdings Employee Share Option Scheme ("the Scheme") administered by the RC. The Scheme was adopted by the Company on 28 June 2005. There were no share options granted to any person during the financial year ended 30 June 2012.

## 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 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, reappointment 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.

During the year under review, the aggregate amount of fees paid or payable to the independent auditors for the audit services was S$107,000. No non-audit services were performed by the independent auditors during the financial year.

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 and the Group have complied with Rules 712 and 715 of the Listing Manual issued by Singapore Exchange Securities Trading Limited in relation to its auditors.

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 Group's system of internal and operational controls are designed to provide a reasonable assurance as to the effectiveness and efficiency of the Group's operations, integrity and reliability of the financial information, and to safeguard the Group's assets.

The Group 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 Group reviews all significant control policies and procedures and highlights all significant matters to the Audit Committee and the Board.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by management, various Board Committees and the Board, the Audit Committee and the Board are of the opinion that the Group's internal controls, addressing financial, operational and compliance risks, are adequate as at 30 June 2012.

The Board and the AC note that all internal control systems contain inherent limitation and no systems of internal controls could provide absolute assurance against the occurrence of material errors, poor judgement in decision making, human errors, losses, 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.

**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 or half-year results. The Company issues a quarterly circular to its directors and officers informing them that the Company and its officers must not deal in the Company's securities before the release of results and at any time they are in possession of unpublished material price-sensitive information.

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**

All transactions with interested persons must be at arm's length and reviewed by the Audit Committee. There were no interested person transactions during the financial year ended 30 June 2012.

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 2012 and the statement of financial position of the Company as at 30 June 2012 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 | |
|---|---|---|
| **The Company** | **At 1 July 2011** | **At 30 June 2012** |
| Ang Yu Seng | 137,248,408 | 137,248,408 |
| Ang Yew Chye | 29,576,431 | 29,576,431 |
| Chan Kok Poh | 240,000 | 240,000 |
| Chang Yeh Hong | 100,000 | 100,000 |
| 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 2012.

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

Since the adoption of the ESOS, 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 options 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 the 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 the 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.

Since the adoption of the Scheme, 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.

**7. Warrants (Continued)**

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

| Date of grant of warrants | Exercise price per share | Warrants outstanding at 1 July 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 as at 30 June 2012 and for the financial year ended 30 June 2012 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** | **Ang Yew Chye** |
| Director | Director |

Singapore, 18 September 2012

# STATEMENT BY DIRECTORS

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012**

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 33 to 83 are drawn up so as to give a true and fair view of the state of affairs of the Company and the Group as at 30 June 2012, 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, 18 September 2012

# INDEPENDENT AUDITOR'S REPORT

**TO THE MEMBERS OF UNION STEEL HOLDINGS LIMITED**
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012**

**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 33 to 83 which comprise the statements of financial position of the Group and of the Company as at 30 June 2012, and the statement of comprehensive income, statement of changes in equity and 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 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair 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 control 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

*Opinion*

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2012, 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, 18 September 2012

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012**

| | Note | 2012 | 2011 |
|---|---|---|---|
| | | $'000 | $'000 |
| Revenue | 5 | 85,053 | 101,983 |
| Cost of sales | | (76,554) | (88,813) |
| **Gross profit** | | 8,499 | 13,170 |
| Other income | 6 | 10,620 | 15,687 |
| Distribution and marketing expenses | | (504) | (724) |
| Administrative expenses | | (6,850) | (9,724) |
| Other operating expenses | 7 | (5,276) | (5,938) |
| Finance expenses | 8 | (693) | (934) |
| **Profit before income tax** | 9 | 5,796 | 11,537 |
| Income tax expense | 10 | (1,739) | (1,512) |
| **Net profit representing total comprehensive income for the year** | | 4,057 | 10,025 |
| **Net profit and total comprehensive income attributable to:** | | | |
| Equity holders of the Company | | 3,736 | 10,025 |
| Non-controlling interests | | 321 | - |
| | | 4,057 | 10,025 |
| **Earnings per share for net profit attributable to equity holders of the Company (cents)** | | | |
| - Basic | 11 | 0.95 | 2.78 |
| - Diluted | 11 | 0.95 | 2.78 |

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

# STATEMENTS OF FINANCIAL POSITION

**AS AT 30 JUNE 2012**

| | Note | GROUP 2012 $'000 | GROUP 2011 $'000 | COMPANY 2012 $'000 | COMPANY 2011 $'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Cash and cash equivalents | 12 | 23,277 | 30,171 | 5,293 | 11,240 |
| Trade and other receivables | 13 | 15,220 | 9,468 | 7,743 | 2,638 |
| Inventories | 14 | 38,371 | 40,047 | - | - |
| | | 76,868 | 79,686 | 13,036 | 13,878 |
| Assets classified as held-for-sale | 15 | - | 188 | - | - |
| **Total current assets** | | 76,868 | 79,874 | 13,036 | 13,878 |
| | | | | | |
| **Non-current assets** | | | | | |
| Intangible assets | 16 | 15,697 | 1,237 | - | - |
| Property, plant and equipment | 17 | 39,882 | 29,293 | 76 | - |
| Investments in subsidiaries | 18 | - | - | 32,655 | 18,708 |
| Investment property | 19 | 10,000 | 9,500 | - | - |
| Golf club membership | 20 | 159 | 159 | 159 | 159 |
| Financial assets, available-for-sale | 21 | - | - | - | - |
| Deferred income tax assets | 22 | 50 | 50 | - | - |
| **Total non-current assets** | | 65,788 | 40,239 | 32,890 | 18,867 |
| **Total assets** | | 142,656 | 120,113 | 45,926 | 32,745 |
| | | | | | |
| **LIABILITIES** | | | | | |
| **Current liabilities** | | | | | |
| Trade and other payables | 23 | 6,023 | 10,380 | 625 | 1,645 |
| Bank loans and bills payable | 24 | 25,818 | 20,645 | 2,789 | - |
| Finance lease liabilities | 25 | 76 | - | - | - |
| Deferred gain on sale of properties | 26 | 2,074 | 2,074 | - | - |
| Current income tax liabilities | | 908 | 382 | 5 | 8 |
| **Total current liabilities** | | 34,899 | 33,481 | 3,419 | 1,653 |
| | | | | | |
| **Non-current liabilities** | | | | | |
| Bank loans | 24 | 18,313 | 8,703 | 11,158 | - |
| Finance lease liabilities | 25 | 34 | - | - | - |
| Deferred gain on sale of properties | 26 | 864 | 2,938 | - | - |
| Deferred income tax liabilities | 22 | 2,922 | 1,541 | - | - |
| **Total non-current liabilities** | | 22,133 | 13,182 | 11,158 | - |
| **Total liabilities** | | 57,032 | 46,663 | 14,577 | 1,653 |
| | | | | | |
| **Net assets** | | 85,624 | 73,450 | 31,349 | 31,092 |
| | | | | | |
| **EQUITY** | | | | | |
| **Capital and reserves attributable to equity holders of the Company** | | | | | |
| Share capital | 27 | 36,603 | 36,603 | 36,603 | 36,603 |
| Capital reserve | 28 | - | - | - | - |
| Retained earnings / (Accumulated losses) | | 39,402 | 36,847 | (5,254) | (5,511) |
| | | 76,005 | 73,450 | 31,349 | 31,092 |
| **Non-controlling Interests** | | 9,619 | - | - | - |
| **Total equity** | | 85,624 | 73,450 | 31,349 | 31,092 |

*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 2012**

| | Attributable to equity holders of the Company | | | | | |
|---|---|---|---|---|---|---|
| | **Share capital** | **Capital reserve** | **Retained earnings** | **Total** | **Non-controlling interests** | **Total** |
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| **GROUP** | | | | | | |
| 2012 | | | | | | |
| Balance as at 1 July 2011 | 36,603 | - | 36,847 | 73,450 | - | 73,450 |
| Total comprehensive income for the year | - | - | 3,736 | 3,736 | 321 | 4,057 |
| Acquisition of non-controlling interests | - | - | - | - | 9,298 | 9,298 |
| Dividends paid (Note 30) | - | - | (1,181) | (1,181) | - | (1,181) |
| Balance as at 30 June 2012 | 36,603 | - | 39,402 | 76,005 | 9,619 | 85,624 |
| 2011 | | | | | | |
| Balance as at 1 July 2010 | 30,258 | 1,914 | 26,925 | 59,097 | - | 59,097 |
| Total comprehensive income for the year | - | - | 10,025 | 10,025 | - | 10,025 |
| Acquisition of non-controlling interests | - | - | (747) | (747) | - | (747) |
| Issue of new shares on conversion of warrants | 6,345 | (1,270) | - | 5,075 | - | 5,075 |
| Warrants expired | - | (644) | 644 | - | - | - |
| Balance as at 30 June 2011 | 36,603 | - | 36,847 | 73,450 | - | 73,450 |

| | **Share capital** | **Capital reserve** | **Accumulated losses** | **Total** |
|---|---|---|---|---|
| **COMPANY** | **$'000** | **$'000** | **$'000** | **$'000** |
| 2012 | | | | |
| Balance as at 1 July 2011 | 36,603 | - | (5,511) | 31,092 |
| | | - | | |
| Total comprehensive income for the year | - | - | 1,439 | 1,439 |
| Dividends paid | - | - | (1,181) | (1,181) |
| Balance as at 30 June 2012 | 36,603 | - | (5,254) | 31,349 |
| 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 |

*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 2012**

| | GROUP | |
|---|---|---|
| | **2012** | **2011** |
| | **$'000** | **$'000** |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Profit before income tax | 5,796 | 11,537 |
| Adjustments for:- | | |
| Depreciation of property, plant and equipment | 3,674 | 3,182 |
| Gain on disposal of property, plant and equipment | (1,235) | (5,219) |
| Loss on disposal of assets classified as held-for-sale | - | 212 |
| Assets classified as held-for-sale written off | - | 178 |
| Fair value gain on investment property | (500) | (815) |
| Amortisation of deferred gain on sale of properties | (2,074) | (2,074) |
| Finance expenses | 693 | 934 |
| Interest income | (53) | (64) |
| Impairment of trade receivables | 120 | 54 |
| Impairment in financial assets, available-for-sale | - | 1,376 |
| Amortisation of intangible assets | 88 | - |
| Net reversal for impairment in value of inventories | - | (1,266) |
| OPERATING CASH FLOWS BEFORE WORKING CAPITAL CHANGES | 6,509 | 8,035 |
| Trade and other receivables | (4,402) | 700 |
| Inventories | 1,676 | 5,299 |
| Trade and other payables | (4,752) | 2,517 |
| CASH (USED IN)/GENERATED FROM OPERATIONS | (969) | 16,551 |
| Income tax paid | (982) | (400) |
| Income tax refunded | - | 146 |
| Interest paid | (693) | (934) |
| Interest received | 53 | 64 |
| **NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES** | (2,591) | 15,427 |
| | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of property, plant and equipment | (9,562) | (439) |
| Purchase of investment property | - | (185) |
| Acquisition of non-controlling interest | - | (747) |
| Acquisition of subsidiary, net of cash acquired | (9,957) | - |
| Proceeds from disposal of property, plant and equipment | 2,270 | 5,483 |
| Financial assets, at fair value through profit or loss | - | 2,796 |
| Proceeds from disposal of assets classified as held-for-sale | 188 | 826 |
| Withdrawal of short-term deposits pledged with a bank | - | 1,000 |
| **NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES** | (17,061) | 8,734 |
| | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from issuance of ordinary shares | - | 5,075 |
| Proceeds from bank loans | 24,448 | 13,000 |
| Decrease in bills payable | (333) | (8,272) |
| Repayment of bank loans | (10,127) | (21,961) |
| Repayment of finance lease liabilities | (49) | (34) |
| Dividends paid | (1,181) | - |
| **NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES** | 12,758 | (12,192) |
| | | |
| Net (decrease)/increase in cash and cash equivalents | (6,894) | 11,969 |
| Cash and cash equivalents at beginning of financial year | 30,171 | 18,202 |
| **CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR (Note 12)** | 23,277 | 30,171 |

Included in the purchase of the property, plant and equipment is an amount of $7,984,000 relating to purchase of inventories in cash during the financial year ended 30 June 2012 which was initially recorded as inventories and subsequently transferred to property, plant and equipment.

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

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

## 1. GENERAL INFORMATION

Union Steel Holdings Limited (the "Company") is listed on the Singapore Exchange Securities Trading Limited and is 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 18 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 2012 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) Revised standards and amendments to published standards effective in financial year ended 30 June 2012

On 1 July 2011, 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 adoption of these new or amended 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.

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on a transaction-by-transaction basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value or, when applicable, on the basis specified in another standard.

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 FRS.

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) 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.

(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 | 3-100 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 |

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.3 Property, plant and equipment (Continued)**

(c) Depreciation (Continued)

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at the end of each reporting period. 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 Intangible assets**

(a) Goodwill on acquisition

Goodwill on acquisitions of subsidiaries on or after 1 July 2009 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 July 2009 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.

(b) Customer relationship

Customer relationship acquired are initially recognised at cost and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over 5 years.

**2.5 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.5 Investment property (Continued)

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.

### 2.6 Financial assets

(a) Classification

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

(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 end of the reporting period 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 end of the reporting period.

(b) Recognition and derecognition

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

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

(c) Initial and subsequent measurement

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

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

Interest and dividend income on financial assets, available-for-sale are recognised separately in profit or loss. Changes in fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in the fair value reserve, together with the related currency translation differences.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.6 Financial assets (Continued)

(d) Impairment of financial assets

The Group assesses at the end of each reporting period 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.

### 2.7 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.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.7 Impairment of non-financial assets (Continued)**

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

Property, plant and equipment, investments in subsidiaries, golf club membership and intangible assets 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.

**2.8 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.

**2.9 Club membership**

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

**2.10 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.11 Financial liabilities

Financial liabilities include trade payables, other payables, finance lease liabilities and bank loans and bills payable. 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.

Bank loans and bills payable are presented as current liabilities unless the Group has an unconditional right to differ settlement for at least 12 months after the end of the reporting period.

Bank loans and bills payable are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. 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 the 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.

### 2.12 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.

### 2.13 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents comprise cash and bank balances and short-term bank deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

### 2.14 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.

### 2.15 Share capital

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.16 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.

### 2.17 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 end of the reporting period.

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

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

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

Deferred income tax is measured:

(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 end of the reporting period; and

(b) based on the tax consequence that will follow from the manner in which the Group expects, at the end of the reporting period, 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.

### 2.18 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 end of the reporting period are recognised in profit or loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.18 Currency translation (Continued)

(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 end of the reporting period;

(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.

### 2.19 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 and services 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, office premises and plant and machinery (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.

### 2.20 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)

### 2.21 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, warehouse, office premises and plant and machinery under operating leases to non-related parties.

Lessor – Operating leases

Leases of investment property, leasehold land and buildings, warehouse, office premises and plant and machinery 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)

### 2.22 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 entitlements

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 end of the reporting period.

### 2.23 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.

### 2.24 Dividends to Company's shareholders

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

### 2.25 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 end of the reporting period. 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 the end of the reporting period. 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.

### 2.26 Sales and leaseback transaction

A sale and leaseback transaction involves the sale of an asset by the Group and the leasing of the same asset back to the Group. The lease payments and the sale price are usually interdependent as they are negotiated as a package. The accounting treatment of a sale and leaseback transaction depends upon the type of lease involved and the economic and commercial substance of the whole arrangement.

The deferred gain from the sale and leaseback arrangement is credited to profit or loss over 6 years.

## 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) 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. The quoted equity shares in Indonesia had been fully impaired in 2011 and an impairment loss of $Nil (2011: $1,376,000) was charged to profit or loss.

(ii) 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 (Note 16(a)). Based on the impairment test performed, management is of the view that no impairment charge is required for the financial year ended 30 June 2012.

(b) Critical accounting estimates and assumptions

(i) Allowances for impairment in value of 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 inventories is required for the financial year ended 30 June 2012. The carrying amount of inventories as at 30 June 2012 is $38,372,000 (2011: $40,047,000).

(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 3 to 100 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 $39,882,000 (2011: $29,293,000).

(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 $74,000 (2011: $56,000) is adequate and the carrying amount of trade receivables of $14,527,000 (2011: $8,834,000) will be recovered in full. Adjustment will be made in future periods in the event that there is objective evidence of impairment resulting from any future loss event.

## 3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

(b) Critical accounting estimates and assumptions (Continued)

(iv) Estimation of useful life of customer relationship

The cost of customer relationship is amortised on straight-line basis over its estimated useful life. Management estimates the useful life of this customer relationship to be 5 years. The carrying amount of customer relationship affected by the assumption is $2,857,000 (2011: $Nil).

## 4. RELATED PARTY TRANSACTIONS

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

(a) Significant transactions with subsidiaries:

| | Company | |
|---|---|---|
| | 2012 | 2011 |
| | $'000 | $'000 |
| Management fees received from subsidiaries | 2,880 | 2,520 |
| Interest income | 61 | 64 |

(b) Key management personnel compensation:

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | $'000 | $'000 | $'000 | $'000 |
| Directors of the Company | | | | |
| - remuneration | 1,009 | 2,119 | 1,009 | 2,119 |
| - fees | 119 | 113 | 119 | 113 |
| - contributions to Central Provident Fund | 36 | 19 | 36 | 19 |
| Directors of a subsidiary | | | | |
| - remuneration | 176 | - | - | - |
| - contributions to Central Provident Fund | 5 | - | - | - |
| Other key management personnel | | | | |
| - salaries and bonus | 400 | 130 | 400 | 130 |
| - contributions to Central Provident Fund | 32 | 11 | 32 | 11 |
| | 1,777 | 2,392 | 1,596 | 2,392 |

## 5. REVENUE

| | Group | |
|---|---|---|
| | 2012 | 2011 |
| | $'000 | $'000 |
| Sale of goods | 73,899 | 94,457 |
| Rental income from rental materials and machineries | 7,081 | 5,292 |
| Service income | 4,073 | 2,234 |
| | 85,053 | 101,983 |

## 6. OTHER INCOME

| | Group | |
|---|---|---|
| | 2012 | 2011 |
| | $'000 | $'000 |
| Gain on disposal of property, plant and equipment | 1,235 | 5,219 |
| Rental of leasehold land and buildings, warehouses and office premises | 3,343 | 2,872 |
| Rental of investment property (Note 19) | 1,403 | 1,339 |
| Rental of plant and machinery | 129 | 114 |
| Amortisation of deferred gain on sale of properties (Note 26) | 2,074 | 2,074 |
| Compensation by customers and suppliers | - | 395 |
| Transportation income | 556 | 535 |
| Storage income | - | 47 |
| Interest income | 53 | 64 |
| Insurance claims | 8 | 15 |
| Gain from disposal of financial assets, available-for-sale | 1,196 | - |
| Reversal of impairment of trade receivables (Note 13) | - | 15 |
| Reversal of impairment in value of inventories (Note 14) | - | 1,266 |
| Fair value gain on investment property (Note 19) | 500 | 815 |
| Incentive income | - | 572 |
| Sundry income - others | 123 | 345 |
| | 10,620 | 15,687 |

## 7. OTHER OPERATING EXPENSES

| | Group 2012 $'000 | Group 2011 $'000 |
|---|---|---|
| Impairment loss on financial assets, available-for-sale (Note 21) | - | 1,376 |
| Rental of leasehold land and buildings, office premises, warehouse and yard | 5,066 | 3,587 |
| Foreign exchange loss | 2 | 476 |
| Assets classified as held-for-sale written off | - | 178 |
| Loss on disposal of assets held-for-sale | - | 212 |
| Amortisation of intangible assets (Note 16(b)) | 88 | - |
| Impairment of trade receivables (Note 13) | 120 | 54 |
| Trade receivables written off | - | 55 |
| | 5,276 | 5,938 |

## 8. FINANCE EXPENSES

| | Group 2012 $'000 | Group 2011 $'000 |
|---|---|---|
| Interest expense | | |
| - Trust receipts | 296 | 162 |
| - Bank loans | 394 | 769 |
| - Finance lease liabilities | 3 | 3 |
| | 693 | 934 |

## 9. PROFIT BEFORE INCOME TAX

| | Group 2012 $'000 | Group 2011 $'000 |
|---|---|---|
| This is determined after charging: | | |
| Depreciation of property, plant and equipment (Note 17) | 3,674 | 3,182 |
| Key management personnel compensation (Note 4) | 1,777 | 2,392 |

## 10. INCOME TAX EXPENSE

| | Group 2012 $'000 | Group 2011 $'000 |
|---|---|---|
| Current income tax | | |
| - Current year | 365 | 379 |
| - Under/(over) provision in prior year | 67 | (3) |
| Deferred income tax | | |
| - Current year | 1,405 | 1,232 |
| - Over provision in prior year | (98) | (96) |
| | 1,739 | 1,512 |

## 10. INCOME TAX EXPENSE (CONTINUED)

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 | |
|---|---|---|
| | **2012** | **2011** |
| | **$'000** | **$'000** |
| Profit before income tax | 5,796 | 11,537 |
| Tax calculated at statutory tax rate of 17% (2011: 17%) | 985 | 1,961 |
| Income not subject to tax | (645) | (716) |
| Expenses not deductible for tax purposes | 983 | 370 |
| Tax saving on partial exempt income | (52) | (67) |
| Under/(over) provision of current income tax in prior year | 67 | (3) |
| Over provision of deferred income tax in prior year | (98) | (96) |
| Utilisation of unabsorbed donation | (33) | - |
| Utilisation of unutilised capital allowance not previously recognised | (883) | (174) |
| Utilisation of unabsorbed tax losses | (101) | - |
| Tax incentives | - | (38) |
| Deferred tax assets not recognised | 1,548 | 153 |
| Others | (32) | (52) |
| | 1,739 | 1,512 |

The Group has unabsorbed tax losses of approximately $3,307,000 (2011: $2,345,000) and unutilised capital allowances of approximately $11,587,000 (2011: $1,024,000). Of these, the potential tax benefits of unabsorbed tax losses of $597,000 (2011: $1,445,000) and unutilised capital allowances of $5,193,000 (2011: $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 $2,710,000 (2011: $900,000) and unutilised capital allowances of $6,394,000 (2011: $Nil) due to the unpredictability of future profit streams.

The use of these potential tax benefits is subject to the agreement of the 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 | |
|---|---|---|
| | **2012** | **2011** |
| Net profit attributable to equity holders of the Company ($'000) | 3,736 | 10,025 |
| Weighted average number of ordinary shares outstanding for basic earnings per share ('000) | 393,781 | 361,094 |
| Basic earnings per share | 0.95 | 2.78 |

## 11. EARNINGS PER SHARE (CONTINUED)

(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 no warrants as dilutive potential ordinary shares.

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

| | Group | |
|---|---|---|
| | **2012** | **2011** |
| Net profit attributable to equity holders of the Company ($'000) | 3,736 | 10,025 |
| Weighted average number of ordinary shares outstanding for diluted earnings per share ('000) | 393,781 | 361,094 |
| Diluted earnings per share | 0.95 | 2.78 |

## 12. CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Cash and bank balances | 20,973 | 26,134 | 4,276 | 7,203 |
| Short-term bank deposits | 2,304 | 4,037 | 1,017 | 4,037 |
| | 23,277 | 30,171 | 5,293 | 11,240 |

Short-term bank deposits at the end of the reporting period have an average maturity ranging from 30 days to 92 days (2011: 30 days to 92 days) from the end of the reporting period with effective interest ranging from 0.1% to 0.3% (2011: 0.2% to 0.4%) per annum.

## 13. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Trade receivables | | | | |
| - Related parties | - | - | 364 | - |
| - Non-related parties | 14,601 | 8,890 | - | - |
| Less: allowance for impairment of receivables | | | | |
| - Non-related parties | (74) | (56) | - | - |
| Trade receivables - net | 14,527 | 8,834 | 364 | - |
| Loan receivable from subsidiary | - | - | 7,348 | 2,613 |
| Prepayments | 156 | 217 | 31 | 21 |
| Other receivables | | | | |
| - Non-related parties | 537 | 417 | - | 4 |
| | 15,220 | 9,468 | 7,743 | 2,638 |

## 13. TRADE AND OTHER RECEIVABLES (CONTINUED)

Loan receivable from subsidiary is unsecured and is repayable on demand. Out of the carrying amount of loan receivable from subsidiary at the end of the financial year, $2,648,000 (2011: $2,613,000) bears interest at 2.3% per annum (2011: 2.3% per annum).

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | $'000 | $'000 | $'000 | $'000 |
| Beginning of financial year | 56 | 107 | - | - |
| Current year charge (Note 7) | 120 | 54 | - | - |
| Amount written off | (102) | (90) | - | - |
| Reversal of allowance no longer required (Note 6) | - | (15) | - | - |
| End of financial year | 74 | 56 | - | - |

The average credit period taken to settle the trade receivables is about 30 days (2011: 30 days). No interest is charged on outstanding balances.

Trade receivables that are individually determined to be impaired as at 30 June 2012 and 30 June 2011 relate to receivables that are in financial difficulties and have defaulted in payments.

## 14. INVENTORIES

| | Group | |
|---|---|---|
| | 2012 | 2011 |
| | $'000 | $'000 |
| Trading inventories | 46,355 | 53,923 |
| Inventories-in-transit | - | 4,359 |
| | 46,355 | 58,282 |
| Less: Transfer to property, plant and equipment (Note 17) | (7,984) | (18,235) |
| Less: Allowance for impairment in value of inventories | - | - |
| | 38,371 | 40,047 |

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

| | Group | |
|---|---|---|
| | 2012 | 2011 |
| | $'000 | $'000 |
| Beginning of financial year | - | 1,266 |
| Reversal of allowance no longer required (Note 6) | - | (1,266) |
| End of financial year | - | - |

## 14. INVENTORIES (CONTINUED)

The cost of inventories recognised as expense and included in cost of sales amounted to $66,876,000 (2011: $80,159,000).

In the financial year ended 30 June 2011, the Group recognised a reversal of $1,266,000 being part of an inventory write-down made in prior year, as the inventories were sold above the carrying amounts during the financial year ended 30 June 2011.

## 15. 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 | |
|---|---|---|
| | **2012** | **2011** |
| | **$'000** | **$'000** |
| Beginning of financial year | 188 | 1,697 |
| Reclassified to property, plant and equipment | - | (293) |
| | 188 | 1,404 |
| Less: Written off | - | (178) |
| Less: Disposal | (188) | (1,038) |
| End of financial year | - | 188 |

## 16. INTANGIBLE ASSETS

| | Group | |
|---|---|---|
| | **2012** | **2011** |
| | **$'000** | **$'000** |
| Goodwill arising from acquisition of subsidiaries (a) | 12,840 | 1,237 |
| Customer relationship (b) | 2,857 | - |
| | 15,697 | 1,237 |

(a) Goodwill arising from acquisition of subsidiaries

| | Group | |
|---|---|---|
| | **2012** | **2011** |
| | **$'000** | **$'000** |
| Beginning of financial year | 1,237 | 1,237 |
| Acquisition of a subsidiary (Note 35) | 11,603 | - |
| End of financial year | 12,840 | 1,237 |

**16. INTANGIBLE ASSETS (CONTINUED)**

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 be the subsidiaries of the Company namely, Hock Ann Metal Scaffolding Pte Ltd and Lim Asia Steel Pte Ltd.

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 4-year period for Hock Ann Metal Scaffolding Pte Ltd and a 5-year period for Lim Asia Steel Pte Ltd. Cash flows beyond the above periods were extrapolated using the estimated growth rates of 5% and 3% (2011: Nil and 3%) respectively.

The rates used to discount the forecasted cash flows are 18% and 6%, respectively (2011: Nil and 6%) per annum based on the weighted average cost of capital of the respective CGU.

(b) Customer relationship

| | Group | |
|---|---|---|
| | **2012** | **2011** |
| | **$'000** | **$'000** |
| Cost: | | |
| Beginning of financial year | - | - |
| Acquisition of a subsidiary (Note 35) | 2,945 | - |
| End of financial year | 2,945 | - |
| | | |
| Accumulated amortisation: | | |
| Beginning of financial year | - | - |
| Amortisation charge (Note 7) | 88 | - |
| End of financial year | 88 | - |
| | | |
| Carrying amount | 2,857 | - |

## 17. PROPERTY, PLANT AND EQUIPMENT

| GROUP | Leasehold land and buildings $'000 | Air-conditioners, electrical installations and computers $'000 | Containers, renovations and warehouse $'000 | Furniture, fittings and office equipment $'000 | Plant, machinery and material handling equipment $'000 | Motor vehicles, trucks and cranes $'000 | Rental materials $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|
| COST | | | | | | | | |
| 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 (Note 14) | - | - | - | - | - | - | 18,235 | 18,235 |
| Reclassified from assets held-for-sale (Note 15) | - | 2 | - | 34 | 257 | - | - | 293 |
| As at 30 June 2011 | 9,527 | 755 | 2,211 | 519 | 16,547 | 3,478 | 18,235 | 51,272 |
| Additions | - | 98 | 21 | 17 | 1,442 | - | - | 1,578 |
| Disposal/Written off | - | (115) | (226) | (3) | (1,034) | (617) | (806) | (2,801) |
| Acquisition of a subsidiary (Note 35) | 1,185 | 8 | - | 10 | 4,470 | 63 | - | 5,736 |
| Reclassified from inventories (Note 14) | - | - | - | - | - | - | 7,984 | 7,984 |
| As at 30 June 2012 | 10,712 | 746 | 2,006 | 543 | 21,425 | 2,924 | 25,413 | 63,769 |
| ACCUMULATED DEPRECIATION | | | | | | | | |
| 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 |
| Depreciation charge | 557 | 20 | 64 | 43 | 1,701 | 250 | 1,039 | 3,674 |
| Disposal/Written off | - | (117) | (225) | (3) | (781) | (614) | (26) | (1,766) |
| As at 30 June 2012 | 3,572 | 616 | 1,874 | 359 | 13,739 | 2,714 | 1,013 | 23,887 |
| CARRYING AMOUNT | | | | | | | | |
| As at 30 June 2012 | 7,140 | 130 | 132 | 184 | 7,686 | 210 | 24,400 | 39,882 |
| As at 30 June 2011 | 6,512 | 42 | 176 | 200 | 3,728 | 400 | 18,235 | 29,293 |

## 17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| COMPANY | Motor vehicles, trucks and cranes |
|---|---|
| | $'000 |
| **Cost** | |
| As at 1 July 2010 | 338 |
| Disposal | (338) |
| As at 30 June 2011 | - |
| Additions | 77 |
| As at 30 June 2012 | 77 |
| | |
| **Accumulated depreciation** | |
| As at 1 July 2010 | 241 |
| Depreciation charge | 61 |
| Disposal | (302) |
| As at 30 June 2011 | - |
| Depreciation charge | 1 |
| As at 30 June 2012 | 1 |
| | |
| **Carrying amount** | |
| As at 30 June 2012 | 76 |
| As at 30 June 2011 | - * |

(i) As at 30 June 2012, the Group had property, plant and equipment with carrying amount of $49,000 (2011: $Nil) acquired under finance lease liabilities.

(ii) Particulars of the properties held by the Group as at 30 June 2012 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 |
| 41 Middle Road # 03-00 Singapore 188950 | Office of 94 square metres | Lease of 999 years ending 29 January 2834 |

(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 $7,140,000 (2011: $6,512,000).

(iv) *Amount is below $1,000.

## 18. INVESTMENTS IN SUBSIDIARIES

| | Company 2012 | Company 2011 |
|---|---|---|
| | $'000 | $'000 |
| Unquoted equity shares, at cost | | |
| Beginning of financial year | 18,708 | 17,961 |
| Additions | 13,947 | 747 |
| End of financial year | 32,655 | 18,708 |

| Name of companies | Principal activities | Country of incorporation/ place of business | Percentage of equity held 2012 | Percentage of equity held 2011 |
|---|---|---|---|---|
| **Held by the Company** | | | | |
| 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) | Holding investment property | Singapore | 100 | 100 |
| Hock Ann Metal Scaffolding Pte Ltd (2) | Metal scaffolding services | Singapore | 60 | - |
| **Held by a subsidiary – Hock Ann Metal Scaffolding Pte Ltd** | | | | |
| Hock Ann Marine Scaffolding Pte Ltd | Investment holding (Dormant) | Singapore | 100 | - |

All the above subsidiaries are audited by LTC LLP.

(1) In the financial year ended 30 June 2011, the Company entered into an agreement to acquire the remaining 35% interest from the non-controlling shareholders of Lim Asia Steel Pte Ltd. Accordingly, Lim Asia Steel Pte Ltd became a wholly-owned subsidiary of the Company.

(2) During the financial year ended 30 June 2012, the Company acquired 60% equity interest in Hock Ann Metal Scaffolding Pte Ltd (Note 35).

## 19. INVESTMENT PROPERTY

| | Group | |
|---|---|---|
| | 2012 | 2011 |
| | $'000 | $'000 |
| Beginning of financial year | 9,500 | 8,500 |
| Additions | - | 185 |
| Fair value gain recognised in profit or loss (Note 6) | 500 | 815 |
| End of financial year | 10,000 | 9,500 |

Investment property is carried at fair value at the end of the reporting period 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 31(b)).

Investment property is mortgaged to secure bank loans (Note 24(iii)).

The following amounts are recognised in profit or loss:

| | Group | |
|---|---|---|
| | 2012 | 2011 |
| | $'000 | $'000 |
| Rental income (Note 6) | 1,403 | 1,339 |
| Direct operating expenses arising from investment property that generated rental income | (2) | (1) |
| Property tax and other direct operating expenses arising from investment property that did not generate rental income | (366) | (345) |

Particulars of investment property held by the Group as at 30 June 2012 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 |

## 20. GOLF CLUB MEMBERSHIP

| | Group and Company | |
|---|---|---|
| | 2012 | 2011 |
| | $'000 | $'000 |
| At cost | 159 | 159 |
| Market value | 226 | 230 |

The market value was based on published market rates as at the end of the reporting period.

## 21. FINANCIAL ASSETS, AVAILABLE-FOR-SALE

| | Group and Company | |
|---|---|---|
| | 2012 | 2011 |
| | $'000 | $'000 |
| Beginning of financial year | - | 1,376 |
| Impairment loss (Note 7) | - | (1,376) |
| End of financial year | - | - |

Financial assets, available-for-sale relate to equity securities listed in Indonesia.

The Group has recognised an impairment loss of $Nil (2011: $1,376,000) against the equity security in Indonesia whose trade prices had been below cost for a prolonged period during the financial year ended 30 June 2011.

## 22. 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 | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | $'000 | $'000 | $'000 | $'000 |
| Deferred income tax assets | | | | |
| - to be recovered after one year | 50 | 50 | - | - |
| Deferred income tax liabilities | | | | |
| - to be settled after one year | 2,922 | 1,541 | - | - |

Movement in deferred income tax account is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | $'000 | $'000 | $'000 | $'000 |
| Beginning of financial year | 1,491 | 355 | - | (15) |
| Acqusition of a subsidiary (Note 35) | 74 | - | - | - |
| Tax charged to profit or loss | 1,307 | 1,136 | - | 15 |
| End of financial year | 2,872 | 1,491 | - | - |

**22. DEFERRED INCOME TAX (CONTINUED)**

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

Deferred income tax liabilities

| | Group | | |
|---|---|---|---|
| | **Accelerated tax depreciation** | **Fair value gains** | **Total** |
| | **$'000** | **$'000** | **$'000** |
| **2012** | | | |
| Beginning of financial year | 1,541 | - | 1,541 |
| Acquisition of a subsidiary (Note 35) | 74 | - | 74 |
| Charged to profit or loss | 1,307 | - | 1,307 |
| End of financial year | 2,922 | - | 2,922 |
| | | | |
| **2011** | | | |
| Beginning of financial year | 480 | 50 | 530 |
| Charged/(credited) to profit or loss | 1,061 | (50) | 1,011 |
| End of financial year | 1,541 | - | 1,541 |

Deferred income tax assets

| | **Group** | **Company** |
|---|---|---|
| | **Tax losses** | **Tax losses** |
| | **$'000** | **$'000** |
| **2012** | | |
| Beginning of financial year | (50) | - |
| Charged to profit or loss | - | - |
| End of financial year | (50) | - |
| | | |
| **2011** | | |
| Beginning of financial year | (175) | (15) |
| Charged to profit or loss | 125 | 15 |
| End of financial year | (50) | - |

## 23. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | $'000 | $'000 | $'000 | $'000 |
| Trade payables - non-related parties | 3,154 | 5,796 | - | - |
| Rental deposits | 1,179 | 1,036 | - | - |
| Advances from customers | 138 | 474 | - | - |
| Accruals for operating expenses | 1,135 | 1,260 | 312 | 556 |
| Accurals for directors' fees | 60 | 113 | 60 | 113 |
| Accruals for directors' profit sharing | 316 | 976 | 253 | 976 |
| Other payables - non-related parties | 41 | 725 | - | - |
| | 6,023 | 10,380 | 625 | 1,645 |

The average credit period taken to settle the trade payables is about 30 days (2011: 45 days). No interest is charged on outstanding balances.

## 24. BANK LOANS AND BILLS PAYABLE

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | $'000 | $'000 | $'000 | $'000 |
| Current | | | | |
| Bank loan I - secured | - | 733 | - | - |
| Bank loan II - secured | 254 | 259 | - | - |
| Bank loan III - secured | 484 | 479 | - | - |
| Bank loan IV - secured | 234 | 233 | - | - |
| Bank loan V - unsecured | 1,284 | 1,284 | - | - |
| Bank loan VI - secured | 49 | - | - | - |
| Bank loan VII - unsecured | 2,789 | - | 2,789 | - |
| Short-term bank loans - unsecured | 12,500 | 9,100 | - | - |
| Bills payable to banks - unsecured | 8,224 | 8,557 | - | - |
| | 25,818 | 20,645 | 2,789 | - |
| Non-current | | | | |
| Bank loan I - secured | - | - | - | - |
| Bank loan II - secured | 425 | 708 | - | - |
| Bank loan III - secured | 3,098 | 3,582 | - | - |
| Bank loan IV - secured | 1,500 | 1,733 | - | - |
| Bank loan V - unsecured | 1,397 | 2,680 | - | - |
| Bank loan VI - secured | 735 | - | - | - |
| Bank loan VII - unsecured | 11,158 | - | 11,158 | - |
| | 18,313 | 8,703 | 11,158 | - |
| Total | 44,131 | 29,348 | 13,947 | - |

**24. BANK LOANS AND BILLS PAYABLE (CONTINUED)**

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 | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | $'000 | $'000 | $'000 | $'000 |
| 12 months or less | 25,818 | 20,645 | 2,789 | - |
| 1 - 5 years | 16,964 | 6,353 | 11,158 | - |
| Over 5 years | 1,349 | 2,350 | - | - |
| | 44,131 | 29,348 | 13,947 | - |

(i) Bank loan I

Bank loan of $4,400,000 commencing in 2007 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 17.

(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. The bank loan is secured by the Group's leasehold land and building as disclosed in Note 17.

(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 19.

(iv) Bank loan IV

In 2011, 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 the Group's investment property as disclosed in Note 19 and corporate guarantee given by the Company.

(v) Bank loan V

In 2011, 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.

## 24. BANK LOANS AND BILLS PAYABLE (CONTINUED)

(vi) Bank loan VI

The newly acquired subsidiary obtained this bank loan, which is repayable for 15 years commencing from April 2011. The monthly indicative full instalment amount is S$5,374 and S$5,483 for the first and second year, respectively. The indicative full instalment for the third year based on the loan agreement and thereafter shall be S$5,655. The rates of interest for this bank loan are fixed at 1.48% above 3M SIBOR and 1.78% above 3M SIBOR for the first and second year, respectively. Thereafter, the interest rate charge is at 2.28% above 3M SIBOR. This bank loan is secured by a legal mortgage of the subsidiary's leasehold property and joint and several guarantees of the subsidiary's directors.

(vii) Bank loan VII

During the financial year, the Company obtained a $13,947,084 bank loan. The loan is repayable over 20 fixed quarterly instalments of $697,354. The loan bears interest of 1.57% per annum over the bank's cost of funds or applicable SWAP offer rate as determined by the bank on the day of transaction, whichever is higher. This bank loan is secured by corporate guarantee given by the Company.

(viii) 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.

Fair value of non-current borrowings

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | $'000 | $'000 | $'000 | $'000 |
| Bank borrowings | 18,313 | 8,703 | 11,158 | - |

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 | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Bank borrowings | 5.33% | 5.25% | 5.25% | - |

## 25. FINANCE LEASE LIABILITIES

| | Group | | | |
|---|---|---|---|---|
| | Minimum lease payments | | Present value of minimum lease payments | |
| | 2012 | 2011 | 2012 | 2011 |
| | $'000 | $'000 | $'000 | $'000 |
| Minimum lease payments payable: | | | | |
| Within one year | 81 | - | 76 | - |
| Within two to five years | 43 | - | 34 | - |
| | 124 | - | 110 | - |
| Finance charges allocated to future periods | (14) | - | - | - |
| | 110 | - | 110 | - |
| Less: Repayable within one year included under current liabilities | | | (76) | - |
| Repayable after one year | | | 34 | - |

The effective interest rate in financial year 2012 ranges from 3.47% to 7.05% per annum for the Group.

It is 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 values of the lease obligations approximate their carrying amounts.

## 26. DEFERRED GAIN ON SALE OF PROPERTIES

Deferred gain on sale of properties amounted to about $12,444,000 arose from sale and leaseback of the Group's leasehold land and buildings known as 119 Neythal Road, 31 / 33 Pioneer Road North, 30 Tuas South Avenue 8 and 8 Tuas View Square in 2008. The deferred gain is credited to profit or loss over 6 years.

| | Group | |
|---|---|---|
| | 2012 | 2011 |
| | $'000 | $'000 |
| Beginning of financial year | 5,012 | 7,086 |
| Credited to profit or loss (Note 6) | (2,074) | (2,074) |
| End of financial year | 2,938 | 5,012 |
| Less: Classified under current liabilities | (2,074) | (2,074) |
| Non-current liabilities | 864 | 2,938 |

## 27. SHARE CAPITAL

| | Number of ordinary shares | | Group and Company | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | '000 | '000 | $'000 | $'000 |
| Issued and fully paid: | | | | |
| At beginning of financial year | 393,781 | 351,480 | 36,603 | 30,258 |
| Shares issued arising from conversion of warrants | - | 42,301 | - | 6,345 |
| At end of financial year | 393,781 | 393,781 | 36,603 | 36,603 |

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 dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

In 2011, the Company issued 42,300,839 ordinary shares upon the exercise of 42,300,839 warrants for a total consideration of $6,345,000 for working capital purposes. The newly issued shares rank pari-passu in all respects with the previously issued shares.

## 28. CAPITAL RESERVE

In 2008, the Company issued and allotted 69,421,050 warrants on the basis of one warrant at an issue price of $0.03 for every five existing ordinary shares which carry the right to subscribe for one new ordinary share of the Company at an exercise price of $0.12 per ordinary share and with the exercise period from 15 April 2008 to 14 April 2011.

In 2011, 42,300,839 units of warrants were converted into new ordinary shares for a total consideration of $6,345,000 for working capital purposes. The balance of 22,745,211 units of warrants amounting to $644,000 that has expired were transferred from capital reserve to retained earnings. The Company has no outstanding warrants as at the financial year end.

The movement in the capital reserve is as follows:

| | Group and Company | |
|---|---|---|
| | 2012 | 2011 |
| | $'000 | $'000 |
| Beginning of financial year | - | 1,914 |
| 42,300,839 warrants conversion at $0.12 per share | - | (1,270) |
| Warrants expired | - | (644) |
| End of financial year | - | - |

## 29. EMPLOYEE COMPENSATION

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | $'000 | $'000 | $'000 | $'000 |
| Wages, salaries and bonus | 5,177 | 5,903 | 1,770 | 2,551 |
| Employer's contributions to Central Provident Fund | 365 | 401 | 92 | 95 |
| Other staff related expenses | 584 | 530 | 193 | 173 |
| | 6,126 | 6,834 | 2,055 | 2,819 |

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

## 30. DIVIDENDS

| | Group | |
|---|---|---|
| | 2012 | 2011 |
| | $'000 | $'000 |
| Final dividends paid in respect of the previous financial year of $0.30 cent (2011: $Nil) per share | 1,181 | - |

In respect of the current year, the directors propose that a final dividend of 0.25 cents per share will be paid to shareholders on 15 November 2012. 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 1 November 2012. The total estimated dividend to be paid is $984,000.

## 31. 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 end of the reporting period but not recognised as liabilities, are as follows:

| | Group | |
|---|---|---|
| | 2012 | 2011 |
| | $'000 | $'000 |
| Not later than one year | 5,368 | 4,741 |
| Later than one year and not later than five years | 7,355 | 9,236 |
| Later than five years | 9,136 | 9,603 |
| | 21,859 | 23,580 |

The rental expense for the financial year amounted to $5,357,000 (2011: $5,216,000).

## 31. OPERATING LEASE COMMITMENTS (CONTINUED)

(b) Where the Group is a lessor

The Group leases out investment property, leasehold land and buildings, warehouse, office premises and plant and machinery 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 end of the reporting period but not recognised as receivables, are as follows:

| | Group | |
|---|---|---|
| | **2012** | **2011** |
| | **$'000** | **$'000** |
| Not later than one year | 3,932 | 2,963 |
| Later than one year and not later than five years | 2,727 | 749 |
| | 6,659 | 3,712 |

The rental income for the financial year amounted to $4,875,000 (2011: $4,325,000). The leases have terms from 1 year to 3 years (2011: 1 year to 3 years).

## 32. GUARANTEES

| | Group | |
|---|---|---|
| | **2012** | **2011** |
| | **$'000** | **$'000** |
| Bankers' guarantee | 3,567 | 3,412 |

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

Corporate guarantees of $89,275,000 (2011: $88,157,000) are given by the Company to financial institutions for credit facilities granted to the subsidiaries.

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

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

## 33. 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.
- Scaffolding services – engages in provision of scaffolding services and related consultancy services.
- 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.

## 33. SEGMENT INFORMATION (CONTINUED)

### 33.1 Business segments

| | Recycling | | Trading | | Scaffolding Services | | Others | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Segment revenue** | | | | | | | | | | |
| Sales to external customers | 27,380 | 55,774 | 45,884 | 38,685 | 2,705 | - | 9,083 | 7,524 | 85,053 | 101,983 |
| Segment result | 854 | (3,884) | 32 | 2,688 | 1,127 | - | 684 | 5,378 | 2,697 | 4,182 |
| Other income | | | | | | | | | 10,620 | 15,687 |
| Unallocated expenses | | | | | | | | | | |
| - Employee compensation | | | | | | | | | (2,072) | (2,040) |
| - Depreciation | | | | | | | | | (88) | (89) |
| - Impairment of financial assets, held-for-sale | | | | | | | | | - | (1,376) |
| - Foreign exchange loss | | | | | | | | | - | (6) |
| - Land rent and rental expenses | | | | | | | | | (2,105) | (1,976) |
| - Others | | | | | | | | | (2,563) | (1,911) |
| Profit from operations | | | | | | | | | 6,489 | 12,471 |
| Finance expenses | | | | | | | | | (693) | (934) |
| Profit before income tax | | | | | | | | | 5,796 | 11,537 |
| Income tax expense | | | | | | | | | (1,739) | (1,512) |
| Profit after income tax | | | | | | | | | 4,057 | 10,025 |
| Non-controlling interest | | | | | | | | | (321) | - |
| Profit attributable to shareholders | | | | | | | | | 3,736 | 10,025 |
| Other information: | | | | | | | | | | |
| Depreciation | 1,398 | 1,893 | 1,630 | 988 | 301 | - | 345 | 301 | 3,674 | 3,182 |
| Capital expenditure | 2,850 | 236 | 4,772 | 166 | 769 | - | 1,171 | 37 | 9,562 | 439 |
| **ASSETS** | | | | | | | | | | |
| Segment assets | 48,191 | 52,562 | 46,862 | 42,518 | 12,242 | - | 14,259 | 12,371 | 121,554 | 107,451 |
| Unallocated assets | | | | | | | | | | |
| - Cash and cash equivalents | | | | | | | | | 5,293 | 11,240 |
| - Goodwill | | | | | | | | | 12,840 | 1,237 |
| - Intangible assets | | | | | | | | | 2,857 | - |
| - Others | | | | | | | | | 112 | 185 |
| Total assets | | | | | | | | | 142,656 | 120,113 |
| **LIABILITIES** | | | | | | | | | | |
| Segment liabilities | 8,522 | 14,441 | 24,182 | 21,933 | 2,759 | - | 7,035 | 8,767 | 42,498 | 45,141 |
| Unallocated liabilities | | | | | | | | | | |
| - Trade and other payables | | | | | | | | | 583 | 1,514 |
| - Borrowings | | | | | | | | | 13,947 | - |
| - Others | | | | | | | | | 4 | 8 |
| Total liabilities | | | | | | | | | 57,032 | 46,663 |

## 33. SEGMENT INFORMATION (CONTINUED)

### 33.2 Geographical segments

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

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

| | 2012 | | | 2011 | | |
|---|---|---|---|---|---|---|
| | 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 of Hong Kong) | - | - | - | 2,978 | - | - |
| Singapore | 77,249 | 142,656 | 9,562 | 69,211 | 119,924 | 439 |
| Bangladesh | 1,252 | - | - | - | - | - |
| India | 741 | - | - | 11,745 | 64 | - |
| Indonesia | 1,478 | - | - | 6,258 | - | - |
| Malaysia | 3,224 | - | - | 4,403 | - | - |
| Japan | - | - | - | 1,025 | - | - |
| Taiwan | 248 | - | - | 1,051 | 1 | - |
| United Kingdom | - | - | - | 2,510 | - | - |
| Others * | 861 | - | - | 2,802 | 124 | - |
| | 85,053 | 142,656 | 9,562 | 101,983 | 120,113 | 439 |

* Includes the Netherlands, South Korea, Switzerland, Thailand, United Arab Emirates, 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.

## 34. 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 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 the 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.

## 34. 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. The Group manages currency risk through natural hedging wherein substantial portion of their sales and purchases transactions were denominated in the same foreign currency.

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

| | SGD | USD | EUR | Total |
|---|---|---|---|---|
| **At 30 June 2012** | **$'000** | **$'000** | **$'000** | **$'000** |
| **Financial assets** | | | | |
| Cash and cash equivalents | 19,005 | 4,272 | - | 23,277 |
| Trade and other receivables | 15,064 | - | - | 15,064 |
| | 34,069 | 4,272 | - | 38,341 |
| **Financial liabilities** | | | | |
| Trade and other payables | 5,854 | 169 | - | 6,023 |
| Bank loans and bills payable | 38,213 | 5,918 | - | 44,131 |
| Finance lease liabilities | 110 | - | - | 110 |
| | 44,177 | 6,087 | - | 50,264 |
| Net financial liabilities | (10,108) | (1,815) | - | (11,923) |
| Less: Net financial liabilities denominated in the respective entities' functional currency | 10,108 | - | - | 10,108 |
| **Currency exposure** | - | (1,815) | - | (1,815) |

| | SGD | USD | EUR | Total |
|---|---|---|---|---|
| **At 30 June 2011** | **$'000** | **$'000** | **$'000** | **$'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 | 5,854 | 4,516 | 10 | 10,380 |
| Bank loans and bills payable | 20,792 | 8,556 | - | 29,348 |
| | 26,646 | 13,072 | 10 | 39,728 |
| Net financial assets/(liabilities) | 6,314 | (6,610) | (10) | (306) |
| Less: Net financial assets denominated in the respective entitites' functional currency | (4,703) | (2,418) | - | (7,121) |
| **Currency exposure** | 1,611 | (9,028) | (10) | (7,427) |

34. **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:

| | SGD | USD | Total |
|---|---|---|---|
| **At 30 June 2012** | **$'000** | **$'000** | **$'000** |
| **Financial assets** | | | |
| Cash and cash equivalents | 5,255 | 38 | 5,293 |
| Trade and other receivables | 7,712 | - | 7,712 |
| | 12,967 | 38 | 13,005 |
| **Financial liabilities** | | | |
| Trade and other payables | 625 | - | 625 |
| Bank loans and bills payable | 13,947 | - | 13,947 |
| | 14,572 | - | 14,572 |
| Net financial (liabilities)/assets | (1,605) | 38 | (1,567) |
| Less: Net financial liabilities denominated in the functional currency of the Company | 1,605 | - | 1,605 |
| **Currency exposure** | - | 38 | 38 |

| | SGD | USD | Total |
|---|---|---|---|
| **At 30 June 2011** | **$'000** | **$'000** | **$'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 of the Company | (12,172) | - | (12,172) |
| **Currency exposure** | - | 40 | 40 |

## 34. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

(i) Currency risk (Continued)

If the USD changes against the SGD by 12% (2011: 12%) with all other variables including tax rate being held constant, the effects arising from the net financial assets/liabilities position will be as follows:

| | Increase/ (Decrease) Profit after tax 2012 $'000 | Increase/ (Decrease) Profit after tax 2011 $'000 |
|---|---|---|
| **Group** | | |
| **USD against SGD** | | |
| - Strengthened | (218) | (1,083) |
| - Weakened | 218 | 1,083 |
| **Company** | | |
| **USD against SGD** | | |
| - Strengthened | 5 | 5 |
| - Weakened | (5) | (5) |

(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.

## 34. 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 | 1 to 5 years | Over 5 years | Less than 12 months | 1 to 5 years | Over 5 years | Total |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **At 30 June 2012** | | | | | | | |
| Assets | | | | | | | |
| Cash and cash equivalents | 2,304 | - | - | - | - | - | 2,304 |
| Liabilities | | | | | | | |
| Bank loans and bills payable | 25,818 | 16,964 | 1,349 | - | - | - | 44,131 |

| | Variable rates | | | Fixed rates | | | |
|---|---|---|---|---|---|---|---|
| | Less than 12 months | 1 to 5 years | Over 5 years | Less than 12 months | 1 to 5 years | Over 5 years | Total |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **At 30 June 2011** | | | | | | | |
| Assets | | | | | | | |
| Cash and cash equivalents | 4,037 | - | - | - | - | - | 4,037 |
| Liabilities | | | | | | | |
| Bank loans and bills payable | 20,645 | 6,353 | 2,350 | - | - | - | 29,348 |

## 34. 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** | **1 to 5 years** | **Less than 12 months** | **1 to 5 years** | **Over 5 years** | **Total** |
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| **At 30 June 2012** | | | | | | |
| Assets | | | | | | |
| Cash and cash equivalents | 1,017 | - | - | - | - | 1,017 |
| Loan to subsidiary | - | - | 2,648 | - | - | 2,648 |
| Liabilities | | | | | | |
| Borrowings | 2,789 | 11,158 | - | - | - | 13,947 |

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

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. No individual trade receivable of the Group represents more than 5% of the total trade receivables.

## 34. 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 | |
|---|---|---|
| | 2012 | 2011 |
| | $'000 | $'000 |
| By Geographical areas | | |
| Singapore | 14,527 | 8,644 |
| India | - | 64 |
| Other countries | - | 126 |
| | 14,527 | 8,834 |

(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 that are not past due nor impaired amounted to $4,607,000 (2011: $8,061,000).

(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 | |
|---|---|---|
| | 2012 | 2011 |
| | $'000 | $'000 |
| Past due 0 to 3 months | 7,586 | 485 |
| Past due 4 to 6 months | 2,090 | 162 |
| Past due exceeding 6 months | 244 | 126 |
| | 9,920 | 773 |

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

| | Group | |
|---|---|---|
| | 2012 | 2011 |
| | $'000 | $'000 |
| Gross amount | 74 | 56 |
| Less: Allowance for impairment | (74) | (56) |
| | - | - |

## 34. 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 | Between 1 to 5 years | Over 5 years |
|---|---|---|---|
| | $'000 | $'000 | $'000 |
| **Group** | | | |
| **At 30 June 2012** | | | |
| Trade and other payables | 6,023 | - | - |
| Finance lease liabilities | 81 | 43 | - |
| Bank loans and bills payable | 25,929 | 17,253 | 1,373 |
| **At 30 June 2011** | | | |
| Trade and other payables | 10,380 | - | - |
| Bank loans and bills payable | 20,929 | 6,702 | 2,451 |

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% (2011: 150%). The Group's strategies, which were unchanged from 2011, 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 bank loans and bills payable plus trade and other payables less cash and cash equivalents. Total capital is calculated as equity plus net debt.

| | Group | |
|---|---|---|
| | 2012 | 2011 |
| | $'000 | $'000 |
| Net debt | 26,877 | 9,557 |
| Total equity | 85,624 | 73,450 |
| Total capital | 112,501 | 83,007 |
| Gearing ratio | 24% | 12% |

The Group and Company are in compliance with all externally imposed capital requirements for the financial years ended 30 June 2012 and 2011.

**34. FINANCIAL RISK MANAGEMENT (CONTINUED)**

(e) Fair values

Management has determined that the carrying amounts of current trade and other receivables, cash and cash equivalents, trade and other payables and bank loans and bills payable, 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 end of the reporting period. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to the financial statements.

**35. BUSINESS COMBINATION**

On 2 April 2012, the Company acquired 60% equity interest in Hock Ann Metal Scaffolding Pte Ltd ("Hock Ann Metal"), which represents Tranche 1 acquisition consisting of 480,000 shares in Hock Ann Metal. Hock Ann Metal is a private company limited by shares incorporated in Singapore which engages in the provision of scaffolding works and general construction.

After the Tranche 1 acquisition, the acquisition by the Company of Hock Ann Metal is to be carried out as follows:

Tranche 2 – 20% equity stake (160,002 shares) in 2013; and

Tranche 3 – the remaining 20% equity stake (159,999 shares) in 2014

The assets acquired and liabilities assumed, the details of the consideration paid, the non-controlling interest recognised and the effects of the cash flows of the Group, at the acquisition date, are as follows:

(a) Identifiable assets acquired and liabilities assumed

| | **At fair value** |
|---|---|
| | **$'000** |
| Property, plant and equipment | 5,736 |
| Intangible assets - Customer relationship | 2,945 |
| Trade and other receivables | 1,470 |
| Cash and cash equivalents | 3,990 |
| Total assets | 14,141 |
| | |
| Trade and other payables | (395) |
| Finance lease liabilities | (159) |
| Bank loans and borrowings | (795) |
| Deferred income tax liabilities | (74) |
| Current income tax liabilities | (1,076) |
| Total liabilities | (2,499) |
| | |
| Total identifiable net assets | 11,642 |
| | |
| Less: Non-controlling interest at proportionate share of the acquiree's net identifiable assets | (9,298) |
| Add: Goodwill (Note 16) | 11,603 |
| Consideration transferred for the business | 13,947 |

## 35. BUSINESS COMBINATION (CONTINUED)

(b) Effect on cash flows of the Group

| | **$'000** |
|---|---|
| Consideration transferred for the business (as above) | 13,947 |
| Less: cash and cash equivalents in subsidiary acquired | (3,990) |
| Cash outflow on acquisition | 9,957 |

(c) Acquired receivables

The fair value of trade and other receivables is $1,470,000 and includes trade receivables with a fair value of $1,313,000. The gross contractual amount for trade receivables due represents its fair value as there are no expected uncollectible amounts as at acquisition date.

(d) Fair value of acquired intangible assets

The fair value of the acquired intangible assets of $2,945,000 (customer relationship) has been determined through a final valuation report from an independent valuer.

(e) Contingent liability

The management is not aware of any material contingent liabilities in Hock Ann Metal as at the acquisition date. Financial due diligence had also indicated no material contingent liabilities.

(f) Goodwill

The goodwill of $11,603,000 is the residual amount after deducting the fair value of net working capital, property, plant and equipment and customer relationship from the purchase consideration paid by the Company.

The goodwill arising from the acquisition is attributable to the synergies expected to arise from the combined operations of the acquired subsidiary and of the Group.

(g) Revenue and profit contribution

The acquired business contributed revenue of $2,710,000 and net profit of $808,000 to the Group from the period from 2 April 2012 to 30 June 2012.

Had Hock Ann Metal been consolidated from 1 July 2011, consolidated revenue and consolidated profit for the financial year ended 30 June 2012 would have been $94,071,000 and $6,026,000, respectively.

**36. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATION**

Below are the mandatory FRS and amendments to FRSs that have been published, and are relevant for the Company's accounting periods beginning on or after 1 July 2012 or later periods and which the Company has not early adopted.

- Amendments to FRS 12, *Deferred Tax: Recovery of Underlying Assets* (effective for annual periods beginning on or after 1 January 2012)
- FRS 27 (Revised 2011), *Separate Financial Statements* (effective for annual periods beginning on or after 1 January 2014)
- FRS 110, *Consolidated Financial Statements* (effective for annual periods beginning on or after 1 January 2014)
- FRS 112, *Disclosure of Interests in Other Entities* (effective for annual periods beginning on or after 1 January 2014)
- FRS 113, *Fair Value Measurement* (effective for annual periods beginning on or after 1 January 2013)
- Amendments to FRS 32 and FRS 107 – *Offsetting Financial Assets and Financial Liabilities* (effective for annual periods beginning on or after 1 January 2014 and 1 January 2013, respectively)
- *Improvements to FRSs 2012* (effective for annual periods beginning on or after 1 January 2013)

Management anticipates that the adoption of the above FRSs, revised FRSs and amendments to FRSs will not have a material impact on the financial statements of the Group and of the Company in the year of their initial adoption.

# SHAREHOLDING STATISTICS

| | | |
|---|---|---|
| Issued and fully paid | : | SGD 36,602,755.32 |
| Number of shares | : | 393,781,089 |
| Class of shares | : | Ordinary shares |
| Voting rights | : | One vote per share |

**Treasury Shares**
The Company does not hold any Treasury shares.

**Distribution of shareholdings as at 13 September 2012**

| Size of shareholdings | No. of shareholders | % | No. of Shares | % |
|---|---|---|---|---|
| 1 - 999 | 57 | 3.13 | 2,692 | 0.00 |
| 1,000 - 10,000 | 634 | 34.80 | 4,351,200 | 1.10 |
| 10,001 - 1,000,000 | 1,107 | 60.76 | 82,926,230 | 21.06 |
| 1,000,001 and above | 24 | 1.31 | 306,500,967 | 77.84 |
| Total | 1,822 | 100.00 | 393,781,089 | 100.00 |

**Twenty largest shareholders as at 13 September 2012**

| 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 | Goi Seng Hui | 34,481,000 | 8.76 |
| 4 | Ang Yew Chye | 29,576,431 | 7.51 |
| 5 | SBS Nominees Pte Ltd | 10,590,000 | 2.69 |
| 6 | Super Group Ltd | 8,250,000 | 2.10 |
| 7 | Lim & Tan Securities Pte Ltd | 5,000,000 | 1.27 |
| 8 | UOB Kay Hian Pte Ltd | 3,988,000 | 1.01 |
| 9 | Chong Thim Pheng | 3,938,000 | 1.00 |
| 10 | OCBC Securities Private Ltd | 3,412,048 | 0.86 |
| 11 | United Overseas Bank Nominees Pte Ltd | 2,449,010 | 0.62 |
| 12 | Lim Yong Luy | 2,406,000 | 0.61 |
| 13 | Cheng Buck Poh @ Chng Bok Poh | 2,034,000 | 0.52 |
| 14 | Ong Gim Loo | 2,031,000 | 0.52 |
| 15 | Seah Kiok Leng | 2,000,000 | 0.51 |
| 16 | Ramesh s/o Pritamdas Chandiramani | 1,999,000 | 0.51 |
| 17 | CIMB Securities (Singapore) Pte Ltd | 1,710,020 | 0.43 |
| 18 | Lim Puay Lan | 1,533,000 | 0.39 |
| 19 | Maybank Kim Eng Securities Pte Ltd | 1,233,000 | 0.31 |
| 20 | Chong Hock Ping | 1,150,000 | 0.29 |
| | Total: | 302,199,967 | 76.74 |

Based on the information available to the Company as at 13 September 2012, approximately 36.78% 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 13 September 2012**

| Name | Direct Interest | Percentage (%) | Indirect Interest | Percentage |
|---|---|---|---|---|
| Ang Yu Seng | 137,248,408 | 34.85 | - | - |
| Ang Yew Lai | 47,171,050 | 11.98 | - | - |
| Goi Seng Hui | 34,481,000 | 8.76 | - | - |
| Ang Yew Chye | 29,576,431 | 7.51 | - | - |

## UNION STEEL HOLDINGS LIMITED

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

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of **UNION STEEL HOLDINGS LIMITED** will be held at 33 Pioneer Road North Singapore 628474 on Thursday, 18 October 2012 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 2012 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 up to S$120,000 for the financial year ending 30 June 2013, payable half yearly in arrears. | Resolution 2 |
| 3. | To declare a first and final dividend (one tier) of 0.25 cents per ordinary share for the financial year ended 30 June 2012. | Resolution 3 |
| 4. | To re-elect Mr Ang Yu Seng, who is retiring by rotation pursuant to Article 91 of the Company's Articles of Association. | Resolution 4 |
| 5. | To re-elect Mr Siau Kai Bing, who is retiring by rotation pursuant to Article 91 of the Company's Articles of Association.<br><br>*Mr Siau Kai Bing will, upon re-election as a Director of the Company, remain as the Chairman of the Audit Committee, a member of Nominating Committee and a member of 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**").* | Resolution 5 |
| 6. | To re-appoint Messrs LTC LLP as the Auditors of the Company and to authorise the Directors to fix their remuneration. | Resolution 6 |
| 7. | To transact any other business which may be properly 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: -

8. **Authority to allot and issue shares up to fifty per cent (50%) of the issued shares in the capital of the Company** Resolution 7

"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)]

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

"That pursuant to Section 161 of the Companies Act, 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)]

10. **Authority to grant awards in accordance with the Union Steel Performance Share Scheme (the "Scheme")** Resolution 9

"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 (iii)]

**By Order of the Board**

**HELEN CAMPOS**
Company Secretary

Singapore
27 September 2012

**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 7 proposed in item 8, 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 7, 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 7 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 7. 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 7.

ii) The Ordinary Resolution 8 proposed in item 9 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 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 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 18 October 2012 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 2012 together with the Auditors' Report thereon. | | |
| 2 | Approval of Directors' Fees of up to S$120,000 for the financial year ending 30 June 2013, payable half yearly in arrears. | | |
| 3 | Approval of payment of proposed first and final dividend | | |
| 4 | Re-election of Mr Ang Yu Seng retiring pursuant to Article 91 of the Company's Articles of Association. | | |
| 5 | Re-election of Mr Siau Kai Bing retiring pursuant to Article 91 of the Company's Articles of Association. | | |
| 6 | Re-appointment of Messrs LTC LLP as Auditors of the Company and authorisation of Directors to fix their remuneration. | | |
| **Special Business** | | | |
| 7 | Authority to Directors to allot and issue new shares pursuant to Section 161 of the Companies Act, Cap 50 | | |
| 8 | Authority to grant options and issue shares under the Union Steel Holdings Employee Share Option Scheme. | | |
| 9 | Authority to grant awards in accordance with the Union Steel Performance Share Scheme | | |

Dated this day of 2012

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

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

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

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

UNION STEEL HOLDINGS LIMITED
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