UNION STEEL HOLDINGS LIMITED

友联钢铁控股有限公司

ANNUAL REPORT 2013

CONTENTS

Expanding CORE Pillars

Gaining MOMENTUM

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; (iv) leasing of industrial properties and (v) 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. As part of the Group's strategic growth plan, Union Steel has announced the proposed acquisition of assets from a leading Malaysian recycling business and established a wholly-owned subsidiary in June and July 2013 respectively.

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 India, Indonesia, Korea, Malaysia, Pakistan Singapore, Vietnam and the 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. With the new establishment set up in Malaysia in July 2013, it will enhance the Group's position and competitive strength in both countries for our metal recycling business segment over the medium to longer term.

Trading

The Group trades steel products 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.

Riding on the buoyant infrastructure projects planned for the next three to five years, the growing demand for re-bar and its related customised cut and bend services has enabled the Group to penetrate into this captive market. Taking advantage of our position as a dominant player in the steel market, the Group is well placed to benefit from the current strong demand.

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's core business activities include collection, recycling, trading of ferrous and non-ferrous scrap materials and leasing of steel plates, sheet piles and beams to companies in the construction and engineering industries. 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 and medium enterprises in the annual Singapore 500 Small and Medium Enterprises by DP Information Networks Pte Ltd in 2004.

With almost 30 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 trading of steel products such as reinforcement bars, steel plates, H-beams, I-beams, pipes, sheet piles and wire rods, and also trading of stainless steel and aluminium. We provide cut-and-bend services for reinforcement bars and rods as well, which we can fabricate and customized to our customer's specific installation requirement.

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 centre for ferrous and non-ferrous scarp.

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.

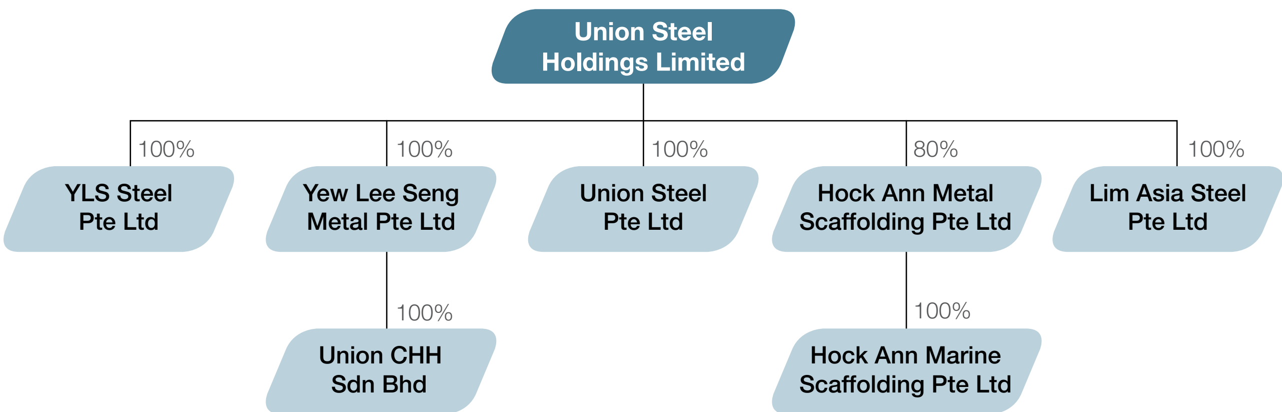
The second tranche acquisition of shares in Hock Ann was completed in April 2013. The Group now owns 80% of the company.

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.

Union CHH Sdn Bhd

Union CHH Sdn Bhd is a wholly-owned subsidiary of Yew Lee Seng Metal Pte Ltd. Established in July 2013, its principal activities are the collection, recycling and trading of ferrous scrap materials.



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 2013.

FY2013 was another challenging year for the Group, with persistent oversupply and heightened competition putting downward pressure on metal prices. On the local front, we also faced challenges in operating costs, in areas such as labour. However, this presented an opportunity for us to examine and streamline our internal operations.

We have also gained momentum and expanded the Group's business with the acquisition of Hock Ann Metal Scaffolding ("Hock Ann"), which we first announced in the final quarter of FY2012. Our ownership stake in this subsidiary has increased from 60% to 80% over the course of this financial year and it has had a positive effect on our earnings.

For the twelve months ended 30 June 2013, Group revenue was $91.0 million, and net profit was $7.7 million. The Board of Directors has proposed a first and final dividend of 0.25 cents per share (FY2012: 0.25 cents).

Financial and Business Review

For FY2013, Group revenue rose 7.0% to $91.0 million. Hock Ann's scaffolding services contributed a significant $13.1 million during this financial year. We expect that earnings from this business segment will be stable, buoyed by the resilient pipeline of construction activity in Singapore. Revenue from recycling increased from $27.4 million to $39.2 million on the back of higher export sales. Trading activities continued to face challenges, as seen from the reduction in revenue from $45.9 million to $31.8 million.

Gross margins improved from 10.0% to 16.2% due to contributions from scaffolding services, and lower selling prices for the trading business were offset by higher margins from recycling. Coupled with the increase in Group revenue, gross profit for FY2013 surged 73.9% to $14.8 million.

Total operating expenses increased from $12.6 million to $15.8 million in line with increased business activities, and the integration of Hock Ann's operations into the Group. Other expenses included the amortisation of intangible assets and provisions for the charging of bad and doubtful debts. Other income increased to $11.5 million due to higher revaluation gain on the Group's investment property, and rental income.

Operating profit for FY2013 was $10.4 million, a 60.8% increase from the previous year. Finance costs increased a marginal 5.2% to $0.7 million. Income tax provision rose from $1.7 million to $2.1 million, mainly being tax liability provisions for profits from the scaffolding services business segment.

Financial Position

Group shareholders' equity grew from $76.0 million to $83.8 million with an increase in cash and cash equivalents from $23.3 million to $28.2 million. Net asset value increased from 19.30 cents to 21.27 cents per share.

Outlook

Although sentiment about global economic conditions has improved somewhat, the operating environment remains uncertain due to competitive forces and dampened demand for raw materials. Steel trading continues to face operating challenges and we aim to pursue new strategies to boost this business segment, while placing the Group's focus more towards recycling, leasing of steel materials and scaffolding services. Our recycling business segment has seen an improvement in both revenue and margins in this financial year, and we hope to continue building on the positive momentum.

The Group continues to exercise prudence in its own operations, but will judiciously deploy working capital for opportunities which will be value accretive for the Group as a whole.

Recently, we announced the proposed acquisition of assets from a leading metal recycling company in Malaysia and we believe that this move will complement and expand the Group's core business. The proposed assets will enable us to have more sources of scrap metal, and also allow us to enlarge our existing presence and customer base in Malaysia. This strategic acquisition will require significant investment of capital and time to see traction and gain momentum. Nevertheless, we are optimistic on the long-term prospects for its operations and will keep shareholders updated in due course.

Our ownership in Hock Ann now stands at 80%, having completed the acquisition of a further 20% tranche in April 2013. Hock Ann's metal scaffolding business is complementary to the Group's other business segments and its established customer pool provides opportunities for cross-selling. We expect to complete the purchase of the final 20% equity tranche in FY2014, thus making Hock Ann a wholly owned subsidiary. We continue to see positive returns from this investment.

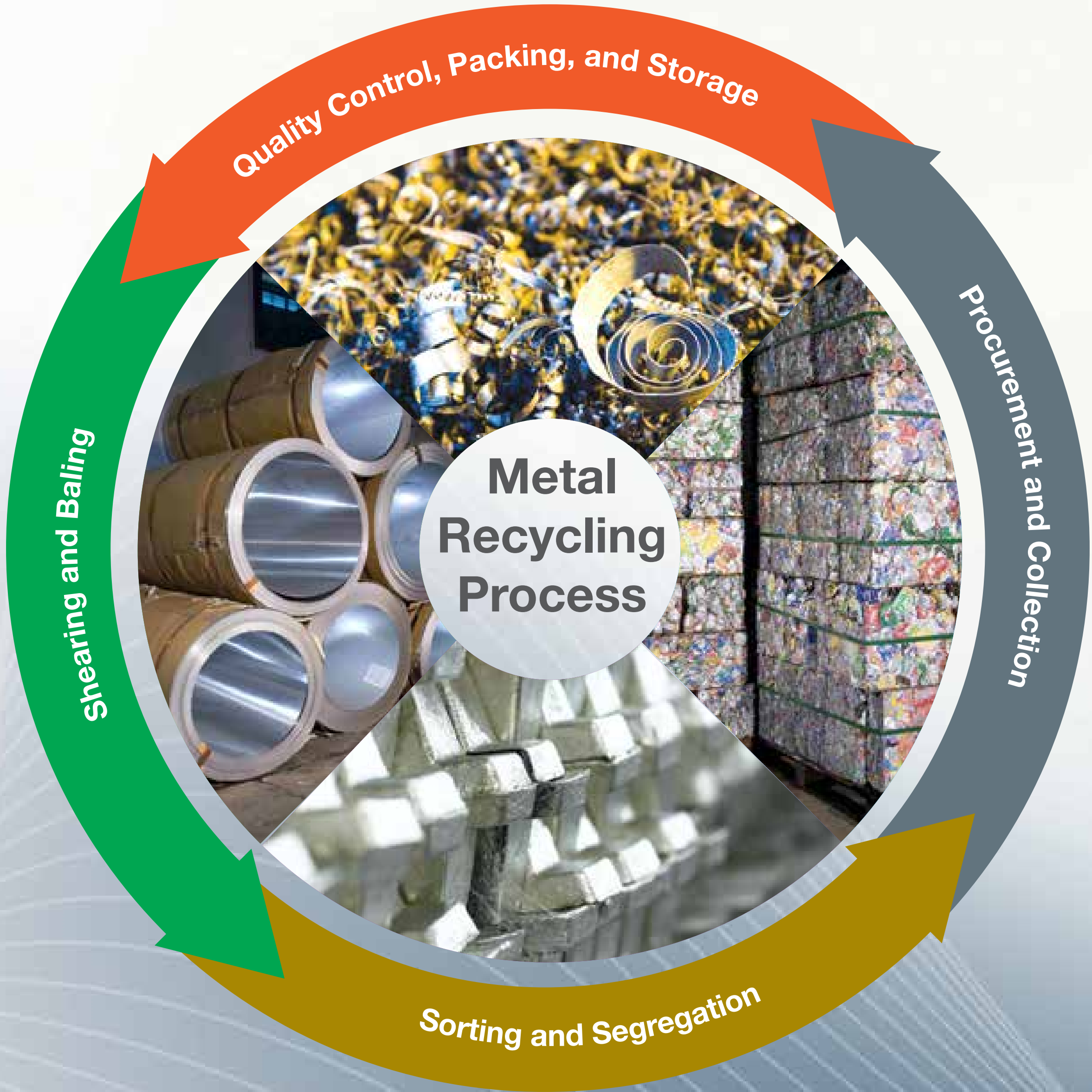
We are also exploring other opportunities for acquisitions, and will evaluate the merits of each potential target for the Group whilst remaining mindful of our financial position and gearing levels.

Appreciation

On behalf of the Board of Directors, I would like to thank our shareholders for their continued faith and support. Our thanks also go out to our customers, suppliers, bankers, and business partners who have given us their invaluable support. Our success would also not be possible without our hardworking management and staff, and their efforts are greatly appreciated. I would also like to thank my fellow board members for their unwavering counsel and support.

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

OUR PROCESSESS



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 almost 30 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 as Executive Director on 12 August 2004. He is responsible for the day to day operation and management of the companies. Mr Ang has almost 30 years of experience in the scrap metal recycling business.

Mr Siau Kai Bing

Independent Director

Mr Siau Kai Bing was appointed as Independent Director of our Company on 28 June 2005. Mr Siau is currently the Chief Financial Officer of one of the largest architectural services companies in Singapore. He has over 30 years of experience in accounting and audit and has held various senior appointments in finance in the past including Chief Financial Officer and independent director in public listed companies. Mr Siau is a Fellow Chartered Accountant with the Institute of Singapore Chartered Accountants.

Mr Chang Yeh Hong

Independent Director

Mr Chang Yeh Hong was appointed as Independent Director of our Company on 28 June 2005. Mr Chang is currently the Executive Chairman of Nordic Group Limited. He has close to 20 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 as 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 Chartered Accountant with the Institute of Singapore Chartered Accountants. He is the founder of Chan Kok Poh & Company, an audit firm.

Ms Jessie Koh
Chief Financial Officer

Ms Jessie Koh was appointed as Chief Financial Officer of the Group in January 2013. She is responsible for all the Group's financial matters, treasury and corporate finance activities, including mergers and acquisitions. She also assists the Executive Chairman and Chief Executive Officer in charting the Group's growth and strategy developments. She has more than 20 years of working experience in finance, internal audit and business advisory fields in various industries. Prior to joining the Group, she has helped businesses in their mergers and acquisitions exercise, fundraising and streamlining of operations for profit improvements, including debt restructuring. She is a Chartered Accountant with the Institute of Singapore Chartered Accountants and a fellow member of the Association of Chartered Certified Accountants in the UK.

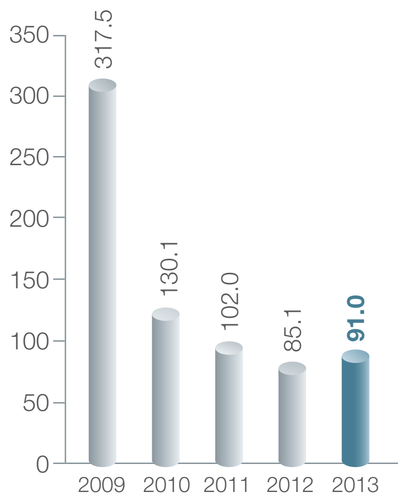
Ms Ang Siew Chin
Senior Operations Manager

With more than 13 years of experience in the steel industry, Ms Ang Siew Chin was appointed as Senior Operations Manager in December 2009. She oversees the Group's overall operations and is responsible for its core businesses from procurement, sales and marketing of prime steel products to collection and recycling of metal scrap.

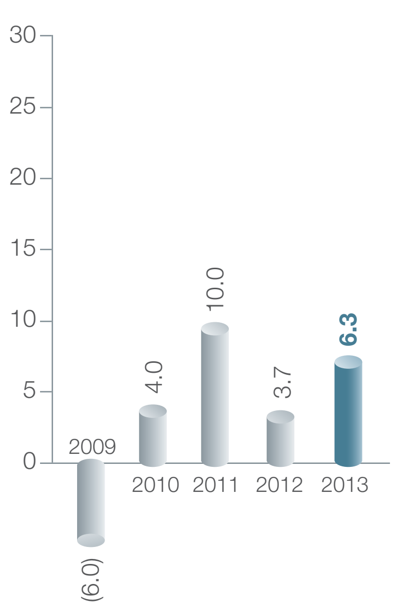
FINANCIAL HIGHLIGHTS

	FY 2013	FY 2012	FY2011	FY2010	FY2009
Group Turnover (S$'million)	**91.0**	**85.1**	102.0	130.1	317.5
Group Net Profit/(Loss) Attributable to Shareholders (S$'million)	**6.3**	**3.7**	10.0	4.0	(6.0)
Group Gross Margin (%)	**16.2%**	**10.0%**	12.9%	8.6%	3.8%
Group EPS/(LPS) (cents)	**1.6**	**0.95**	2.8	1.1	(1.7)
Group NAV (cents)	**21.3**	**19.3**	18.7	16.8	15.7

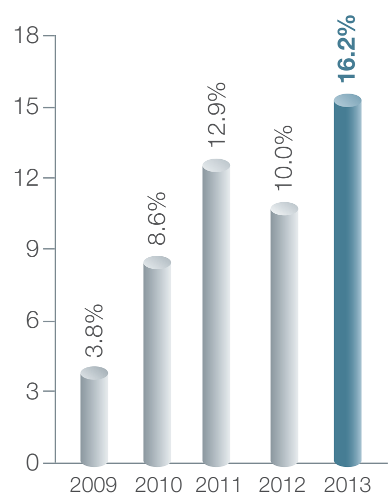
Group Turnover
(S$'million)



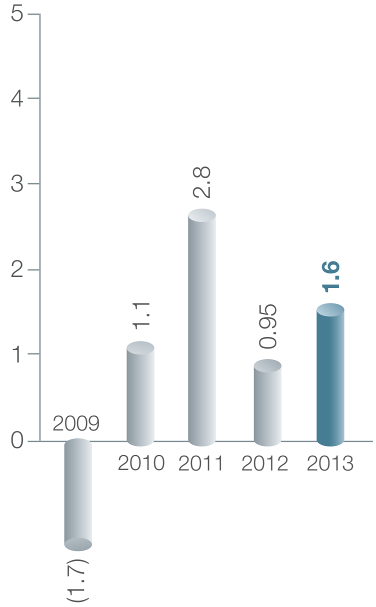
Group Net Profit/(Loss) Attributable to Shareholders
(S$'million)



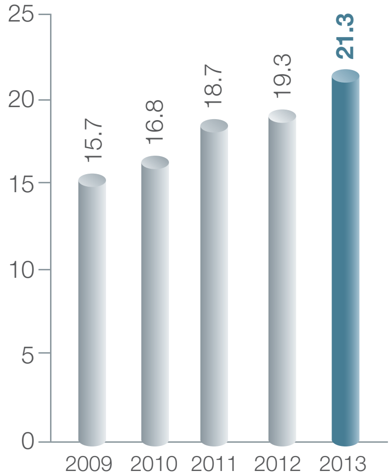
Group Gross Margin
(%)



Group Earning/(Loss) Per Share (cents)

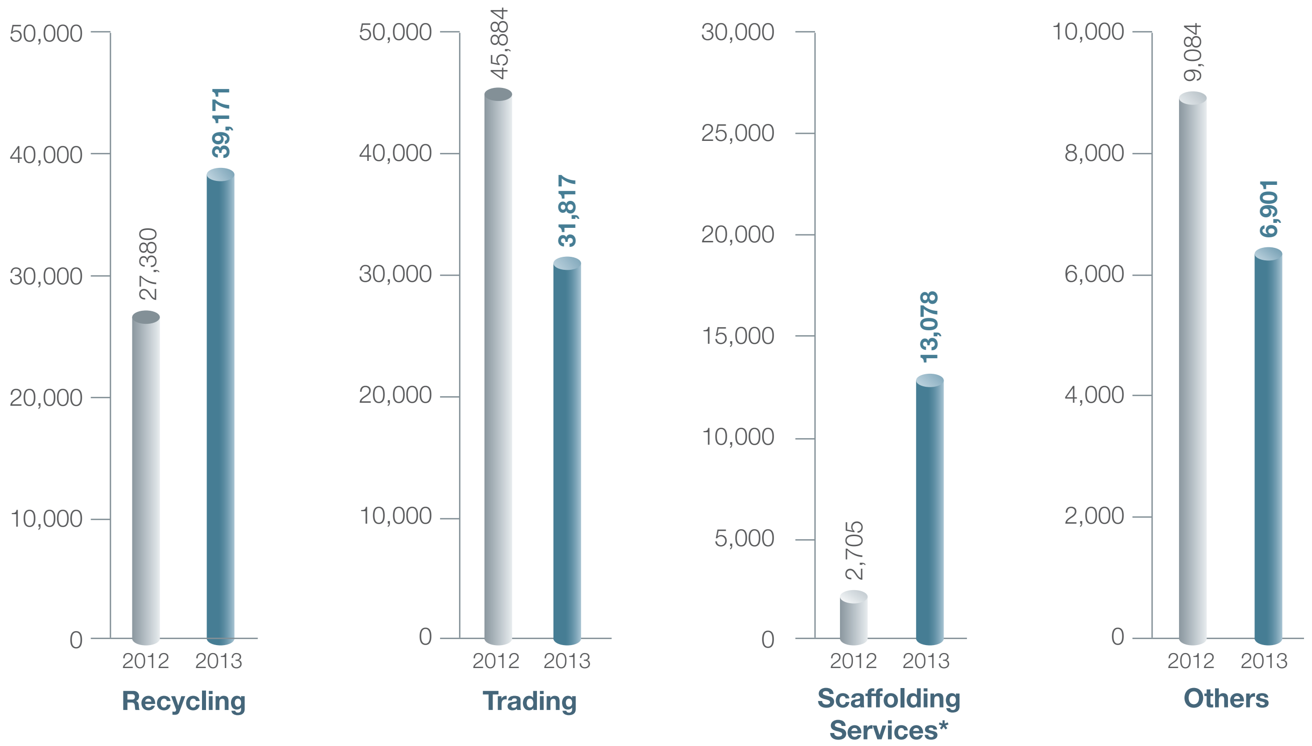


Group NAV
(cents)



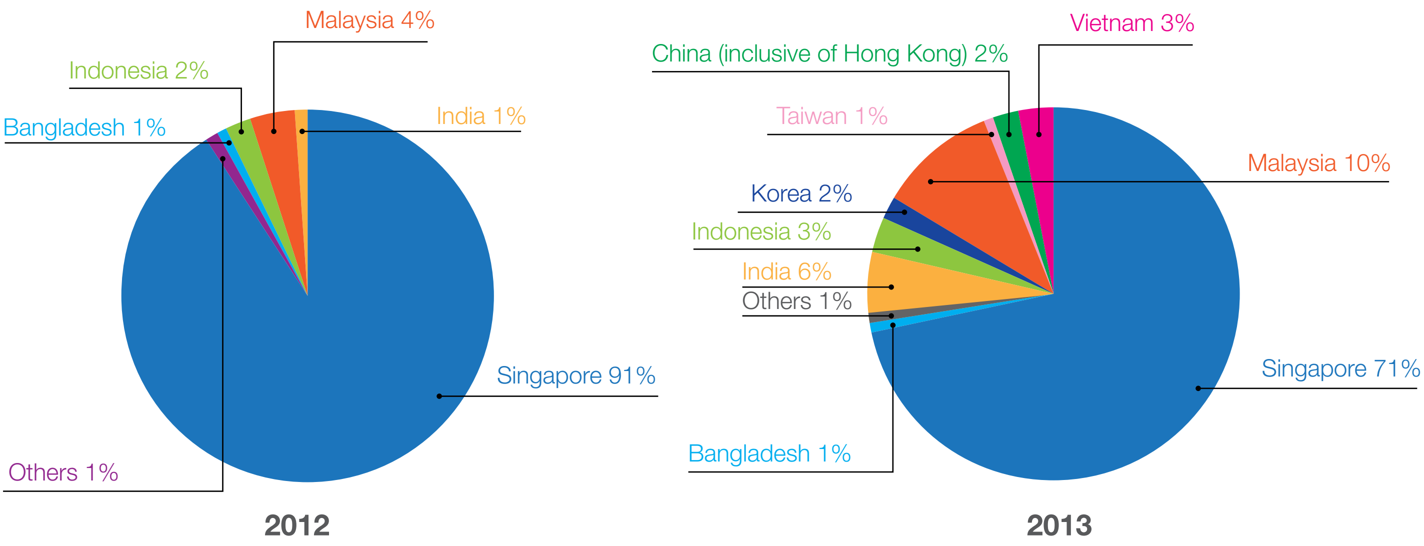
FINANCIAL HIGHLIGHTS

Segment Revenue
($'000)



*Contribution made by Hock Ann Metal Scaffolding Pte Ltd from April to June 2012; acquisition of 60% stake in Hock Ann was completed in April 2012. Results were those of July 2012 to June 2013 and as at 30 June 2013, the Company increased its stake in Hock Ann to 80%.

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 SECRETARIES

Wong Chee Meng Lawrence (LL.B (Hons))
Shirley Tan Sey Liy (ACIS)

REGISTERED OFFICE

33 Pioneer Road North
Singapore 628474

SHARE REGISTRAR

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

INDEPENDENT AUDITOR

RT LLP (formerly known as LTC LLP)
1 Raffles Place #17-02
Singapore 048616

AUDIT PARTNER-IN-CHARGE

Andrew Chua Yong Qiang
(Date of appointment: Since financial year ended
30 June 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
RHB Berhad Singapore

INVESTOR RELATIONS CONSULTANTS

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

FINANCIAL CONTENTS

STATEMENT OF CORPORATE GOVERNANCE

Union Steel Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) are committed to set corporate governance practices in place which are in line with the recommendations of the Code of Corporate Governance 2005 (the “Code”) to provide the structure through which the objectives of protection of shareholders’ interest and enhancement of long term shareholders’ value are met. The Board of Directors (the “Board”) had also considered certain corporate practices with reference to the revised Code of Corporate Governance 2012 issued on 2 May 2012 which is effective from financial year commencing on or after 1 November 2012.

This report sets out the Group’s main corporate governance practices which were in place throughout the financial year ended 30 June 2013 or which will be implemented and where appropriate, we have provided explanations for deviation from the Code.

(A) BOARD MATTERS

Board’s Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with Management to achieve this and the Management remains accountable to the Board.

The Board’s primary role is to protect and enhance long-term shareholders’ value. Its responsibilities are distinct from Management’s responsibilities. It sets the overall strategy for the Group and supervises executive Management. To fulfil this role, the Board sets strategic directions, establishes goals for Management and monitors the achievement of these goals, thereby taking responsibility for the overall corporate governance of the Group.

In addition to its statutory duties, the principal functions of the Board are:

1. Approving policies, strategies and financial objectives of the Company and reviewing Management’s performance;

2. Overseeing the processes for evaluating the adequacy of internal controls, risk management, financial reporting, information technology and compliance;

3. Approving nomination and appointment of directors, Board Committee members and key personnel; and

4. Approving annual budget, major funding and expansion proposals, capital investment, major acquisition and divestment proposals.

To assist in the execution of its responsibilities, the Board had established a number of Board Committees, namely the Audit Committee (the “AC”), the Nominating Committee (the “NC”) and the Remuneration Committee (the “RC”). These Committees function within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis to ensure their continued relevance. The effectiveness of each Committee is also constantly monitored.

The Board currently holds at least 4 scheduled meetings each year. Ad-hoc meetings will be called as and when warranted to deliberate on matters that require urgent attention. The Company’s Articles of Association (the “Articles”) has provision for Board meetings to be held via telephone or videoconference.

STATEMENT OF CORPORATE GOVERNANCE

The following table discloses the number of meetings held for Board and Board Committees and the attendance of all Directors for the financial year ended 30 June 2013.

	Board		Audit Committee		Nominating Committee		Remuneration Committee	
Name	**No. of meetings Held**	**No. of meetings Attended**	**No. of meetings Held**	**No. of meetings Attended**	**No. of meetings Held**	**No. of meetings Attended**	**No. of meetings Held**	**No. of meetings Attended**
Ang Yu Seng	4	4	4	4*	2	2	2	2*
Ang Yew Chye	4	4	4	4*	2	2*	2	2*
Chan Kok Poh	4	4	4	4	2	2*	2	2
Chang Yeh Hong	4	4	4	4	2	2	2	2
Siau Kai Bing	4	4	4	4	2	2	2	2

* By invitation

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 AC, NC and RC or by Management through their executive mandate in the Group.

The Company has guidelines setting forth matters, such as transactions relating to investment, financing and legal and corporate secretarial which are reserved for the 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.

The Directors are also updated regularly with changes to the Singapore Exchange Trading Securities Limited (the "SGX-ST") listing rules, risk management, corporate governance, insider trading and the key changes in the relevant regulatory requirements and financial reporting standards and the relevant laws and regulations to facilitate effective discharge of their fiduciary duties as Board or Board Committee members.

News releases issued by the SGX-ST and the Accounting and Corporate Regulatory Authority (the "ACRA") which are relevant to the Directors are circulated to the Board. The Company Secretaries would inform the Directors of upcoming conferences and seminars relevant to their roles as Directors of the Company. Annually, the external auditors ("EA") update the AC and the Board on the new and revised financial reporting standards.

No new director was appointed by the Company during the financial year ended 30 June 2013. The Company has an orientation programme for all new Directors and also for Directors to attend any appropriate training programme in order to discharge their duties as Directors.

Newly appointed Directors will be briefed by the Company on the business activities of the Group, governance policies, policies on disclosure of interests in securities, the rules relating to disclosure of any conflict of interest in a transaction involving the Company, prohibitions in dealing in the Company's securities and restrictions on disclosure of price sensitive information.

STATEMENT OF CORPORATE GOVERNANCE

Board Composition and Balance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision-making.

Presently, the Board comprises two (2) Executive Directors and three (3) Independent Directors:-

Executive Directors

Mr Ang Yu Seng	Executive Chairman and Chief Executive Officer
Mr Ang Yew Chye	

Independent Directors

Mr Chang Yeh Hong
Mr Siau Kai Bing
Mr Chan Kok Poh

There is presently a strong and independent element on the Board. More than half of the Board is made up of Independent Directors and the independence of each Director is reviewed by the NC. The criteria for independence are determined based on the definition as provided in the Code and the independence of each Director is reviewed annually by the NC. The Board considers an independent Director as one who has no relationship with the Company, its related companies or its Officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent judgment of the Group's affairs.

The Board considers that the present Board size and number of Committees facilitate effective decision-making and are appropriate for the nature and scope of the Company's operations. The Board will constantly examine its size with a view to determine its impact upon its effectiveness.

The Directors appointed are qualified professionals who, as a group, possess a diverse range of expertise to provide core competencies such as accounting or finance, business or management experience, industry knowledge and strategic planning experience.

Profiles of the Board are set out in pages 10 to 11 "Board of Directors" section of this Annual Report.

Chairman and Chief Executive Officer ("CEO")

Principle 3: There should be a clear division of responsibilities at the top of the Company – the working of the Board and the executives responsibility of the Company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

Mr Ang Yu Seng ("Mr Ang"), the Executive Chairman and CEO, is also the controlling shareholder of the Company, takes an active role in the Management of the Group.

The responsibilities of the Chairman include:

(1) Scheduling of meetings to enable the Board to perform its duties responsibly while not interfering with the flow of the Group's operations;

(2) Ensuring that Directors receive accurate, timely and clear information, and ensuring effective communication with shareholders;

(3) Ensuring the Group's compliance with the Code; and

(4) Acting in the best interest of the Group and of the shareholders.

The Company Secretaries may be called to assist the Chairman in any of the above. As CEO, Mr Ang is responsible for the overall Management, strategic direction, ensuring that its organizational objectives are achieved and the day-to-day operations of the Group.

Although Mr Ang is both the Chairman and 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 Board. His performance and effectiveness are periodically assessed by the NC and his remuneration is also periodically reviewed by the RC. 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.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment of new Directors to the Board.

The Board, through the delegation of its authority to the NC, has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in business, finance and management skill to enable the Board to make effective decision makings.

The NC comprises two (2) Independent Directors and one (1) Executive Director as follows:

Nominating Committee

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

Based on the written terms of reference approved by the Board, the principal functions of the NC are:

(1) Reviewing and making recommendations to the Board on all candidates nominated for appointment to the Board of the Company and of its subsidiaries;

(2) Reviewing and recommending to the Board on an annual basis, the Board structure, size and composition, taking into account, the balance between Executive Directors, Non-Executive Directors and Independent Directors to ensure that the Board as a whole possesses the right blend of relevant experiences and core competencies to effectively manage the Company;

(3) Procuring that at least one-third of the Board shall comprise Independent Directors;

(4) Identifying and making recommendations to the Board as to which Directors are to retire by rotation and to be put forward for re-election at each Annual General Meeting ("AGM") of the Company, having regard to the Directors' contribution and performance, including the Independent Directors;

(5) Determining whether a Director is independent; and

(6) Proposing a set of objective performance criteria to the Board for approval and implementation, to evaluate the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board.

The NC is responsible for identifying and recommending new Directors to the Board, after considering the necessary and desirable competencies. In selecting potential new Directors, the NC will seek to identify the competencies required to enable the Board to fulfil its responsibilities. The NC may engage consultants to undertake research on, or assess, candidates applying for new positions on the Board, or to engage such other independent experts, as it considers necessary to carry out its duties and responsibilities. Recommendations for new Directors are put to the Board for its consideration.

New Directors are appointed by way of a Board resolution following which they are subject to re-election at the next AGM.

The Company's Articles of Association requires one-third of the Board (except for the Managing Director) to retire by rotation at every AGM. Directors who retire are eligible to offer themselves for re-election.

Each member of the NC shall abstain from voting on any resolutions in respect to his re-nomination as a Director.

The NC has recommended the nomination of Mr Ang Yew Chye and Mr Chan Kok Poh, the Directors retiring under the Company's Articles of Association. The Board had accepted the NC's recommendation.

The NC conducted an annual review of directors' independence and based on the definition of independence set out in the Code, the NC is of the view that Mr Chang Yeh Hong, Mr Siau Kai Bing and Mr Chan Kok Poh are considered independent.

The NC is satisfied that the current directors, having external directorships, have devoted sufficient time and attention to the affairs of the Group and have adequately carried out their duties as Directors of the Company.

The key information regarding Directors such as academic and professional qualifications, Board Committees served, directorships or chairmanships both present and past held over the preceding three years in other listed companies and other major appointments, whether the appointment is executive or non-executive are set out in pages 30 and 31 of the Annual Report.

Board Performance

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board.

While the Code recommends that the NC be responsible for assessing the Board as a whole and also assessing the individual evaluation of each Directors' contribution, the NC is of the view that it is more appropriate and effective to assess the Board as a whole, bearing in mind that each member of the Board contributes in different way to the success of the Company and Board decisions are made collectively.

The Board has implemented a process for assessing the effectiveness of the Board as a whole. Each Director was required to complete a board evaluation form adopted by the NC, which will be collated by the Chairman for review or discussion. The NC focuses on a set of performance criteria which includes the evaluation of the size and composition of the Board, the Board's access to information, Board processes and accountability, Board's performance in relation to discharging its principal responsibilities and the Directors' standards of conduct in assessing the Board's performance as a whole. Following the review, the Board is of the view that the Board and its Board Committees operate effectively and each Director is contributing to the overall effectiveness of the Board.

The Board has taken the view that the financial indicators, may not be appropriate as these are more of a measurement of Management's performance and therefore less applicable to Directors.

Access to Information

Principle 6: In order to fulfill their responsibilities, Board members should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis.

The Board has separate and independent access to the Senior Management and the Company Secretaries 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 timely and prior to Board meetings to enable the Board to oversee the Company's operational and financial performance. Directors are also informed of any significant developments or events relating to the Company.

The Company Secretaries or their representatives attends all Board and Board Committees meetings and prepares minutes of Board and Board Committees meetings, and assists the Chairman in ensuring that Board procedures are followed and reviewed in accordance with the Company's Articles of Association so that the Board functions effectively and the relevant rules and regulations applicable to the Company are complied with. The Company Secretaries or their representatives' role is to advise the Board on all governance matters, ensuring that legal and regulatory requirements as well as Board policies and procedures are complied with.

The Directors either individually or as a group may seek independent professional advice in furtherance of their duties. The costs of such service will be borne by the Company.

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be formal and transparent procedures for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.

The RC comprises three (3) Independent Directors as follows:

Remuneration Committee

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

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:

- Reviewing and recommending to the Board a framework of remuneration and specific remuneration packages for all directors of the Company;

- Reviewing the service contracts of Executive Directors;

- Reviewing and enhancing the compensation structure with incentive performance for key executives; and
- Overseeing the general polices on compensation of employees of the Group with a goal to motivate, recruit and retain employees and directors through competitive compensation and progressive policies.

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 has full authority to engage any external professional advice on matters relating to remuneration as and when the need arises. The expense of such services shall be borne by the Company.

Level and Mix of Remuneration

Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the Directors needed to run the Company successfully but companies should avoid paying more than necessary for this purpose. A significant proportion of Executive Directors' remuneration should be structured so as to link rewards to corporate and individual performance.

The remuneration policy of the Company is to provide compensation packages at market rates, which reward successful performance and attract, retain and motivate Directors and Senior Management.

The Executive Directors' and key Senior Management remuneration packages are based on service agreements and their remuneration is determined by having regard to the performance of the individuals, the Group and industry benchmarks. The remuneration package for the Executive Directors and key Senior Management staff are made up of both fixed and variable components. The variable component is determined based on the performance of the individual employee as well as the Group's performance. The service agreements of the Executive Directors have been renewed for a further period of 3 years with effect from 1 July 2012. The Executive Directors do not receive Directors' fees.

Independent Directors are paid Directors' fees of an agreed amount based on their contributions, taking into account factors such as effort and time spent, and the respective responsibilities of the Directors. Directors' fees are recommended by the Board for approval at the Company's AGM.

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 2013.

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 2013 to each individual director of the Company is as follows:

Name of Directors	Salary	Bonus	Directors' fees	Allowances and Other Benefits	Total
	%	%	%	%	%
S$500,000 to below S$750,000					
Mr Ang Yu Seng	49	40	-	11	100
S$250,000 to below S$500,000					
Mr Ang Yew Chye	53	30	-	17	100
Below S$250,000					
Mr Chang Yeh Hong	-	-	100	-	100
Mr Siau Kai Bing	-	-	100	-	100
Mr Chan Kok Poh	-	-	100	-	100

Details of remuneration paid to Top 6 executives of the Group (who are not Directors) for the financial year ended 30 June 2013 are set out below:

Name of Executives	Salary	Bonus	Allowances and Other Benefits	Total
	%	%	%	%
S$250,000 to below S$500,000				
Wilson Ong	42	46	12	100
Loke Kok Keong	42	46	12	100
Below S$250,000				
Jessie Koh	89	-	11	100
Ang Siew Chin	65	5	30	100
Ang Lay Eng	74	6	20	100
Teh Hock Soon	88	-	12	100

Immediate Family Member of Directors or Substantial Shareholders

Two employees of the Group, Ms Ang Siew Chin and Ms Ang Lay Eng, are sisters of our Executive Directors, Mr Ang Yu Seng and Mr 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 2013 exceeded $250,000.

In view of confidentiality of remuneration matters, the Board is of the opinion that it is in the best interests of the Group not to disclose the exact remuneration of Executive Officers in the Annual Report.

(C) ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the Company's performance, position and prospects.

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

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

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that the Management maintains a sound system of risk management and internal controls to safeguard the shareholders' interests and the Company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board is responsible for the overall internal controls framework, but acknowledges that no cost-effective internal controls system will preclude all errors and irregularities. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The internal controls in place will address the financial, operational, compliance and information technology risks, and the objectives of these controls are to provide reasonable assurance that there are no material financial misstatements or material loss and assets are safeguarded.

Relying on the reports from the internal auditors ("IA") and external auditors ("EA"), the AC carried out assessments of the effectiveness of key internal controls during the year. Any material non-compliance or weaknesses in internal controls or recommendations from the EA and IA to further improve the internal controls were reported to the AC. The AC will also follow up on the actions taken by the Management and on the recommendations made by both the EA and IA. Based on the reports submitted by the EA and IA received by the AC and the Board, nothing material has come to the attention of the AC and the Board to cause the AC and the Board to believe that the internal controls are not satisfactory for the type and size of business conducted. As the Group continue to grow the business, the Board will continue to review and take appropriate steps to strengthen the Group's overall system of internal controls.

Based on the work performed by both the EA and IA, the assurance from the Management and the on-going review as well as the continuing efforts in enhancing internal controls and processes which are currently in place, the Board with the concurrence of the AC, is of the view that there are adequate internal controls in place for the Group to address financial, operational, compliance and information technology risks of the Group as at 30 June 2013.

Audit Committee

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The AC comprises entirely of independent Non-Executive Directors, the majority of whom, including the Chairman, are independent. The AC members are as follows:-

<u>Audit Committee</u>

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

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 AC has written terms of reference, setting out their duties and responsibilities, which include the following:

- monitor the integrity of the financial information provided by the Company;
- assess, and challenge, where necessary, the correctness, completeness, and consistency of financial information (including interim reports) before submittal to the Board for approval or made public;
- review any formal announcements relating to the Company's financial performance;
- discuss problems and concerns, if any, arising from the interim and final audits, in consultation with the IA and the EA where necessary;
- assess the adequacy and effectiveness of the internal controls (including financial, operational, compliance, information technology controls and risk management) systems established by Management to identify, assess, manage, and disclose financial and non-financial risks (including those relating to compliances with existing legislation and regulation) at least once a year in compliance with Guideline 12.4 of the Code;
- review and ensure that the assurance has been received from the CEO (or equivalent) and the Chief Financial Officer (or equivalent) in relation to the interim/financial unaudited financial statement;
- review Management's and the IA's reports on the effectiveness of the systems for internal controls, financial reporting, and risk management;
- monitor and assess the role and effectiveness of the internal audit function in the overall context of the company's risk management system;
- in connection with the terms of engagement to the EA, to make recommendations to the Board on the selection, appointment, reappointment, and resignation of the EA based on a thorough assessment of the EA's functioning, and approve the remuneration and Terms of Engagement of the EA;
- monitor and assess the EA's independence and keep the nature and extent of non-audit services provided by the EA under review to ensure the EA's independence or objectivity is not impaired;

- assess, at the end of the audit cycle, the effectiveness of the audit process;
- review interested person transactions to consider whether they are on normal commercial terms and are not prejudicial to the interests of the company or its minority shareholders; and
- review the Company's procedures for detecting fraud and ensure that arrangements are in place by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control, or any other matters.

The AC has recommended to the Board that RT LLP (formely known as LTC LLP) be nominated for reappointment as EA at the forthcoming AGM of the Company. The Company confirmed that Rule 712, Rule 715 and Rule 716 of the Listing Manual of the SGX-ST had been complied.

The AC has explicit authority to investigate any matter within its terms of reference. The AC has full access to and cooperation of the Management and EA, RT LLP. The AC convened four meetings during the year. It also has the discretion to invite any Director or Management to attend its meetings. The AC meets with the EA without the presence of the Management at least once a year.

The AC conducted a review of all non-audit services provided by the EA and is satisfied that the nature and extent of such services does not prejudice the independence and objectivity of the EA. For the financial year ended 30 June 2013, the fees that are charged to the Group by the EA for audit services were approximately S$110,000. There were no non-audit fees paid to the EA.

In July 2010, SGX-ST and ACRA had launched the "Guidance to Audit Committees on Evaluation of Quality of Work performed by External Auditors" which aims to facilitate the AC in evaluating the EA. Accordingly, the AC had evaluated the performance of the EA based on the key indicators of audit quality set out in the said Guidance.

The Group has implemented a whistle blowing policy whereby accessible channels are provided for employees to raise concerns about possible improprieties in matters of financial reporting or other matters which they become aware and to ensure that:

(i) independent investigations are carried out in an appropriate and timely manner;

(ii) appropriate action is taken to correct the weakness in internal controls and policies which allowed the perpetration of fraud and/or misconduct and to prevent a recurrence; and

(iii) administrative, disciplinary, civil and/or criminal actions that are initiated following the completion of investigations are appropriate, balance and fair, while providing reassurance that employees will be protected from reprisals or victimisation for whistle blowing in good faith and without malice.

As of to-date, there were no reports received through the whistle blowing mechanism.

Internal Audit

Principle 13: The Company should establish an internal audit function that is independent of the activities it audits.

The Group has outsourced its internal audit functions and has appointed a professional firm, KPMG Services Pte Ltd, as the internal auditors. The internal audit plan is submitted to the AC for approval prior to the commencement of the internal audit work. The IA reviews the effectiveness of key internal controls in accordance with the internal audit plan. The IA has a direct and primary reporting line to the AC and assists the AC in overseeing and monitoring the implementation and improvements required on internal controls weaknesses identified.

The IA has direct and unrestricted access to the Chairman of the AC and report administratively to the CEO.

(D) COMMUNICATION WITH SHAREHOLDERS

Principle 14: Companies should engage in regular, effective and fair communication with shareholders.

The Company believes in high standards of transparent corporate disclosure, in line with the continuous obligations of the Company under the Listing Manual of the SGX-ST and the Companies Act, Chapter 50, the Board's policy is that all shareholders should equally and on a timely basis be informed of all major developments that impact the Group.

Where there is inadvertent disclosure made to a selected Group, the Company will make the same disclosure publicly to all others as soon as practicable. Communication is made 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 AGM and Extraordinary General Meeting ("EGM"); and
- Company website at "http://www.unionsteel.com.sg" at which shareholders can access information on the Group.

The Company does not practice selective disclosure. Price sensitive information is first publicly released through SGXNet, either before the Company meets with any investors or analysts. All shareholders of the Company will receive the Annual Report with notice of AGM by post and published in the newspapers within the mandatory period, which is held within four months after the close of the financial year.

GREATER SHAREHOLDER PARTICIPATION

Principle 15: Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the Company.

The shareholders are encouraged to attend the Company's general meetings to ensure a high level of accountability and to stay informed of the Group's strategies and growth plans. Notice of the general meetings are dispatched to shareholders, together with explanatory notes or a circular on items of special businesses (if necessary), at least 14 clear calendar days before the meeting. The Board welcomes questions from shareholders who wish to raise issues, either informally or formally before or during the general meetings. The Chairman of the AC, NC and RC are normally present and available to address questions relating to the work of their respective Board Committees at general meetings. Furthermore, the EA are present to assist our Board in addressing any relevant queries by our shareholders.

If any shareholder is unable to attend, he/she is allowed to appoint up to two proxies to vote on his/her behalf at the meeting through proxy forms sent in advance.

Each item of special business included in the notice of the general meetings will be accompanied by explanation of the effects of a proposed resolution. Separate resolutions are proposed for each substantially separate issue at general meetings.

All shareholders of the Company receive the Annual Report and notice of general meetings. At general meetings of shareholders, shareholders are given the opportunity to voice their views and ask Directors or Management questions regarding the Company's affairs. The Chairmen of the AC, RC and NC will normally be present at general meetings to answer any questions relating to the work of these Committees. The EA are also present at the general meetings to assist the Directors in answering questions from shareholders.

(E) DEALINGS IN COMPANY'S SECURITIES

In compliance with Rule 1207(19) of the SGX-ST Listing Manual, the Company had adopted a Code of Best Practices to provide guidance to its officers on securities transactions by the Company and its officers.

The Company and its officers are not allowed to deal in the Company's shares during the period commencing two weeks before the announcement of the Company's financial results for each of the first three quarters of its financial year, and one month before the announcement of the Company's full-year financial results, and ending on the date of the announcement of the relevant results.

Directors and executives are also expected to observe insider-trading laws at all times even when dealing with securities within the permitted trading period or when they are in possession of unpublished price-sensitive information and they are not to deal in the Company's securities on short-term considerations.

(F) MATERIAL CONTRACTS

There were no material contracts of the Company and its subsidiaries involving the interests of the CEO, each Director or controlling shareholder, either still subsisting at the end of the financial year or entered into since the end of the previous financial year.

(G) INTERESTED PERSON TRANSACTIONS

The Company has established a procedure for recording and reporting interested person transactions ("IPTs"). All IPTs are subject to review by the AC to ensure that there were conducted on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

There were no IPTs and any of its interested persons (namely, Directors, Executive Officers or controlling shareholder of the Group or the associates of such Directors, Executive Officers or controlling shareholders) subsisting for the financial year ended 30 June 2013.

PARTICULARS OF DIRECTORS PURSUANT TO THE CODE OF CORPORATE GOVERNANCE

Name of Director	Academic/ Professional Qualifications	Board Appointment Executive/ Non-Executive	Board Committees as Chairman or Member	Directorship Date First Appointed	Date of Last Re-election	Directorships in other listed companies and other major appointments	Past directorships in other listed companies and other major appointments over the preceding 3 years
Mr Ang Yu Seng	GCE “A” Levels	Executive Chairman/Chief Executive officer	Chairman of the Board and Member of Nominating Committee	12 August 2004	18 October 2012	Nil	Nil
Mr Ang Yew Chye	Primary School Certification	Executive Director	Board Member	12 August 2004	21 October 2011	Nil	Nil
Mr Chang Yeh Hong	Bachelor of Arts degree majoring in Economics completed the Business Financial Management Programme with Manchester Business School, United Kingdom and completed International Executive Management Programme in INSEAD Fountainbleau, France	Independent Director	Board Member, Chairman of the Nominating Committee and Member of the Audit Committee and Remuneration Committee	28 June 2005	21 October 2011	Nordic Group Limited	Nil

Name of Director	Academic/ Professional Qualifications	Board Appointment Executive/ Non-Executive	Board Committees as Chairman or Member	Directorship Date First Appointed	Date of Last Re-election	Directorships in other listed companies and other major appointments	Past directorships in other listed companies and other major appointments over the preceding 3 years
Mr Siau Kai Bing	Bachelor of Accountancy from the National University of Singapore and Fellow Chartered Accountant with the Institute of Singapore Chartered Accountants	Independent Director	Board Member, Chairman of the Audit Committee and Member of the Nominating Committee and Remuneration Committee	28 June 2005	18 October 2012	Nil	Advanced Holdings Limited
Mr Chan Kok Poh	Bachelor of Commerce (Accountancy) from Nanyang University of Singapore, Master of Arts (Finance and Accounting) from Leeds Metropolitan University, United Kingdom, Chartered Accountant with the Institute of Singapore Chartered Accountants	Independent Director	Board Member, Chairman of the Remuneration Committee and Member of the Audit Committee	28 June 2005. Re-designation from Non-Executive Director to Independent Director on 12 September 2008	21 October 2010	Nil	Nil

REPORT OF THE DIRECTORS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

The Directors present their report to the members together with the audited consolidated financial statements of Union Steel Holdings Limited (the “Company”) and its subsidiaries (the “Group”) for the financial year ended 30 June 2013 and the statement of financial position of the Company as at 30 June 2013 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 nor at any time during the financial year was the Company a party to any arrangement whose objects are 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 following Directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the Register of Directors’ Shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Chapter 50 (the “Act”) except as follows:

	Number of ordinary shares Holdings registered in name of Director	
The Company	**At 1 July 2012**	**At 30 June 2013**
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 any of the above-mentioned interests between the end of the financial year and 21 July 2013.

4. Directors’ contractual benefits

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the 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 financial 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 of the Company.

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 2013	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 members who are 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 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 2013 and for the financial year ended 30 June 2013 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.

8. Audit Committee (Continued)

The Audit Committee has full access to and co-operation from management and has been given reasonable resources to perform 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 Board of Directors that the independent auditor, RT LLP (formerly known as LTC LLP) be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

9. Independent auditor

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

On behalf of the Directors,

Ang Yu Seng

Ang Yew Chye

Singapore, 25 September 2013

STATEMENT BY DIRECTORS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

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 38 to 87 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2013, 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

Ang Yew Chye

Singapore, 25 September 2013

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF UNION STEEL HOLDINGS LIMITED
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

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 38 to 87, which comprise the statements of financial position of the Group and of the Company as at 30 June 2013, and the consolidated statement of comprehensive income, statement of changes in equity and consolidated statement of cash flows of the Group, and the statement of changes in equity of the Company for the financial year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (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 2013, and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date.

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.

RT LLP
Public Accountants and
Chartered Accountants

Singapore, 25 September 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	Note	2013 $'000	2012 $'000
Revenue	5	90,967	85,053
Cost of sales		(76,187)	(76,554)
Gross profit		14,780	8,499
Other income	6	11,483	10,620
Distribution and marketing expenses		(1,012)	(504)
Administrative expenses		(8,259)	(6,850)
Other operating expenses	7	(6,555)	(5,276)
Finance expenses	8	(729)	(693)
Profit before income tax	9	9,708	5,796
Income tax expense	10	(2,050)	(1,739)
Net profit representing total comprehensive income for the year		7,658	4,057
Net profit and total comprehensive income attributable to:			
Equity holders of the Company		6,299	3,736
Non-controlling interests		1,359	321
		7,658	4,057
Earnings per share for net profit attributable to equity holders of the Company (cents)			
- Basic	11	1.60	0.95
- Diluted	11	1.60	0.95

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2013

	Note	GROUP 2013 $'000	GROUP 2012 $'000	COMPANY 2013 $'000	COMPANY 2012 $'000
ASSETS					
Current assets					
Cash and cash equivalents	12	28,244	23,277	4,415	5,293
Trade and other receivables	13	16,469	15,220	5,182	7,743
Inventories	14	43,106	38,371	-	-
		87,819	76,868	9,597	13,036
Assets classified as held-for-sale	15	-	-	-	-
Total current assets		87,819	76,868	9,597	13,036
Non-current assets					
Intangible assets	16	15,107	15,697	-	-
Property, plant and equipment	17	39,001	39,882	183	76
Investments in subsidiaries	18	-	-	35,498	32,655
Investment property	19	12,000	10,000	-	-
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		66,317	65,788	35,840	32,890
Total assets		154,136	142,656	45,437	45,926
LIABILITIES					
Current liabilities					
Trade and other payables	23	8,464	6,023	894	625
Bank loans and bills payable	24	34,778	25,818	3,369	2,789
Finance lease liabilities	25	76	76	-	-
Deferred gain on sale of properties	26	864	2,074	-	-
Current income tax liabilities		764	908	5	5
Total current liabilities		44,946	34,899	4,268	3,419
Non-current liabilities					
Bank loans	24	15,456	18,313	10,631	11,158
Finance lease liabilities	25	168	34	-	-
Deferred gain on sale of properties	26	-	864	-	-
Deferred income tax liabilities	22	4,111	2,922	31	-
Total non-current liabilities		19,735	22,133	10,662	11,158
Total liabilities		64,681	57,032	14,930	14,577
Net assets		89,455	85,624	30,507	31,349
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	27	36,603	36,603	36,603	36,603
Retained earnings / (Accumulated losses)		47,149	39,402	(6,096)	(5,254)
		83,752	76,005	30,507	31,349
Non-controlling interests		5,703	9,619	-	-
Total equity		89,455	85,624	30,507	31,349

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	Attributable to equity holders of the Company				
	Share capital	Retained earnings	Total	Non-controlling interests	Total equity
	$'000	$'000	$'000	$'000	$'000
GROUP					
2013					
Balance as at 1 July 2012	36,603	39,402	76,005	9,619	85,624
Total comprehensive income for the year	-	6,299	6,299	1,359	7,658
Acquisition of non-controlling interests	-	2,432	2,432	(5,275)	(2,843)
Dividends paid (Note 29)	-	(984)	(984)	-	(984)
Balance as at 30 June 2013	36,603	47,149	83,752	5,703	89,455
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 29)	-	(1,181)	(1,181)	-	(1,181)
Balance as at 30 June 2012	36,603	39,402	76,005	9,619	85,624

	Share capital	Accumulated losses	Total
	$'000	$'000	$'000
COMPANY			
2013			
Balance as at 1 July 2012	36,603	(5,254)	31,349
Total comprehensive income for the year	-	142	142
Dividends paid (Note 29)	-	(984)	(984)
Balance as at 30 June 2013	36,603	(6,096)	30,507
2012			
Balance as at 1 July 2011	36,603	(5,511)	31,092
Total comprehensive income for the year	-	1,438	1,438
Dividend paid (Note 29)	-	(1,181)	(1,181)
Balance as at 30 June 2012	36,603	(5,254)	31,349

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	GROUP	
	2013	2012
	$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	9,708	5,796
Adjustments for:-		
Depreciation of property, plant and equipment	4,803	3,674
Gain on disposal of property, plant and equipment	(676)	(1,235)
Fair value gain on investment property	(2,000)	(500)
Amortisation of deferred gain on sale of properties	(2,074)	(2,074)
Interest expense	729	693
Interest income	(27)	(53)
Impairment of trade receivables	128	120
Amortisation of intangible assets	590	88
OPERATING CASH FLOWS BEFORE WORKING CAPITAL CHANGES	11,181	6,509
Trade and other receivables	(1,377)	(4,402)
Inventories	(4,493)	1,676
Trade and other payables	2,441	(4,752)
CASH GENERATED FROM/ (USED IN) OPERATIONS	7,752	(969)
Income tax paid	(1,005)	(982)
Interest paid	(729)	(693)
Interest received	27	53
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	6,045	(2,591)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(6,419)	(9,562)
Acquisition of non-controlling interests	(2,843)	-
Acquisition of subsidiary, net of cash acquired	-	(9,957)
Proceeds from disposal of property, plant and equipment	3,194	2,270
Proceeds from disposal of assets classified as held-for-sale	-	188
NET CASH USED IN INVESTING ACTIVITIES	(6,068)	(17,061)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank loans	17,342	24,448
Repayment of bank loans	(17,606)	(10,127)
Increase/(decrease) in bills payable	6,367	(333)
Repayment of finance lease liabilities	(129)	(49)
Dividends paid	(984)	(1,181)
NET CASH GENERATED FROM FINANCING ACTIVITIES	4,990	12,758
Net increase/(decrease) in cash and cash equivalents	4,967	(6,894)
Cash and cash equivalents at beginning of financial year	23,277	30,171
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR (Note 12)	28,244	23,277

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of $6,682,000 (2012: 9,562,000) of which $263,000 (2012: Nil) was acquired under finance lease. A cash payment of $6,419,000 (2012: 9,562,000) was made to purchase the property, plant and equipment.

Included in the purchase of the property, plant equipment is an amount of $139,000 (2012: $7,984,000) relating to purchase of inventories in cash which was initially recorded as inventories and subsequently transferred to property, plant and equipment.

The accompanying notes form an integral part of these 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 2013 were authorised for issue in accordance with a resolution of the directors on the date of the Statement by Directors.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

(a) Basis of accounting

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas, where assumptions and estimates are significant to the financial statements, are disclosed in Note 3. The financial statements are presented in Singapore Dollar ("SGD or $") and all values are rounded to the nearest thousand ("$'000"), except when indicated otherwise.

(b) Interpretations and amendments to published standards effective in financial year ended 30 June 2013

On 1 July 2012, 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 of the Group and statement of financial position of the Group. 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.

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 apart from FRS 103 *Business Combination*.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Property, plant and equipment (Continued)

(c) Depreciation

Depreciation on property, plant and equipment is calculated using the straight line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Leasehold land and buildings	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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Intangible assets (Continued)

(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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial assets (Continued)

(b) Recognition and derecognition

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

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

(c) Initial and subsequent measurement

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

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

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

(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 as other income 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial assets (Continued)

(d) Impairment of financial assets (Continued)

(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.

(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.

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 (Continued)

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 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 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. 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 subsequently measured at amortised cost using the effective interest method.

Financial liabilities are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the end of the reporting period.

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 have 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

2.16 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Singapore Dollar, which is the Company's functional currency.

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions 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.

2.18 Revenue recognition

Revenue comprise the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Revenue is presented net of goods 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 (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term.

(d) Interest income

Interest income is recognised using the effective interest method.

2.19 Borrowing costs

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Leases

(a) When the Group is the lessee

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

(i) Lessee – Finance leases

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

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

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

(ii) Lessee – Operating leases

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

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Employee compensation

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

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans 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.

2.22 Segment reporting

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

2.23 Dividends to Company's shareholders

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

2.24 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.

2.25 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

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 since the financial year ended 30 June 2011.

(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 2013. The carrying amount of inventories as at 30 June 2013 is $43,106,000 (2012: $38,371,000).

(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 $39,001,000 (2012: $39,882,000).

(iii) Impairment of goodwill

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired. The recoverable amount of the asset and the cash-generating unit has been determined based on value-in-use calculations. These calculations require the use of estimates (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 2013.

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

(b) Critical accounting estimates and assumptions (Continued)

(iv) Impairment of trade receivables

The allowance for impairment of trade receivables is based on ongoing evaluation of recoverability and ageing analysis of the outstanding receivables and on management's estimate of the ultimate realisation of these receivables, including creditworthiness and the past collection history of each customer. Management is of the view that the allowance of $202,000 (2012: $74,000) is adequate and the carrying amount of trade receivables of $13,754,000 (2012: $14,527,000) 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.

(v) 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 $2,267,000 (2012: $2,857,000).

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	
	2013	2012
	$'000	$'000
Management fees received from subsidiaries	2,880	2,880
Interest income	62	61

(b) Key management personnel compensation:

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Directors of the Company				
- remuneration	1,236	1,009	1,236	1,009
- fees	107	119	107	119
- employer's contributions to Central Provident Fund	26	36	26	36
Directors of a subsidiary				
- remuneration	770	176	-	-
- employer's contributions to Central Provident Fund	24	5	-	-
Other key management personnel				
- salaries and bonus	387	400	387	400
- employer's contributions to Central Provident Fund	31	32	31	32
	2,581	1,777	1,787	1,596

5. REVENUE

	Group 2013 $'000	Group 2012 $'000
Sale of goods	70,992	73,899
Rental income from rental materials and machineries	5,801	7,081
Service income	14,174	4,073
	90,967	85,053

6. OTHER INCOME

	Group 2013 $'000	Group 2012 $'000
Gain on disposal of property, plant and equipment	676	1,235
Rental of investment property, leasehold land and buildings, warehouses and office premises	4,370	3,343
Rental of investment property (Note 19)	1,342	1,403
Rental of plant and machinery	150	129
Amortisation of deferred gain on sale of properties	2,074	2,074
Transportation income	491	556
Storage income	56	-
Interest income	27	53
Insurance claims	-	8
Gain from disposal of financial assets, available-for-sale	-	1,196
Recovery of trade receivable written off in prior year	37	-
Fair value gain on investment property (Note 19)	2,000	500
Sundry income - others	260	123
	11,483	10,620

7. OTHER OPERATING EXPENSES

	Group 2013 $'000	Group 2012 $'000
Rental of leasehold land and buildings, office premises, warehouse and yard	5,308	5,066
Foreign exchange loss	357	2
Amortisation of intangible assets (Note 16(b))	590	88
Impairment of trade receivables (Note 13)	128	120
Trade receivables written off	114	-
Property, plant and equipment written off	58	-
	6,555	5,276

8. FINANCE EXPENSES

	Group	
	2013	**2012**
	$'000	**$'000**
Interest expense		
- Trust receipts	143	296
- Bank loans	577	394
- Finance lease liabilities	9	3
	729	693

9. PROFIT BEFORE INCOME TAX

	Group	
	2013	**2012**
	$'000	**$'000**
This is determined after charging:		
Depreciation of property, plant and equipment (Note 17)	4,803	3,674
Key management personnel compensation (Note 4(b))	2,581	1,777

10. INCOME TAX EXPENSE

	Group	
	2013	**2012**
	$'000	**$'000**
Current income tax		
- Current year	740	365
- Under provision in prior year	121	67
Deferred income tax		
- Current year	818	1,405
- Under/(over) provision in prior year	371	(98)
	2,050	1,739

10. INCOME TAX EXPENSE (CONTINUED)

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

	Group	
	2013	2012
	$'000	$'000
Profit before income tax	9,708	5,796
Tax calculated at statutory tax rate of 17% (2012: 17%)	1,650	985
Effects of:		
Income not subject to tax	(800)	(645)
Expenses not deductible for tax purposes	612	983
Tax saving on partial exempt income	(72)	(52)
Under provision of current income tax in prior year	121	67
Under/(over) provision of deferred income tax in prior year	371	(98)
Utilisation of unabsorbed donation	-	(33)
Utilisation of unutilised capital allowance not previously recognised	(47)	(883)
Utilisation of unabsorbed tax losses	-	(101)
Tax rebate	(45)	-
Deferred tax assets not recognised	194	1,548
Enhanced PIC allowance	(138)	-
Others	204	(32)
	2,050	1,739

The Group has unabsorbed tax losses of $4,448,000 (2012: $3,307,000) and unutilised capital allowances of approximately $11,310,000 (2012: $11,587,000). No deferred tax asset has been recognised in the financial statements in respect of unabsorbed tax losses and unutilised capital allowances 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	
	2013	2012
Net profit attributable to equity holders of the Company ($'000)	6,299	3,736
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	393,781	393,781
Basic earnings per share (cents)	1.60	0.95

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 dilutive potential ordinary shares.

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

	Group	
	2013	2012
Net profit attributable to equity holders of the Company ($'000)	6,299	3,736
Weighted average number of ordinary shares outstanding for diluted earnings per share ('000)	393,781	393,781
Diluted earnings per share (cents)	1.60	0.95

12. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Cash and bank balances	24,963	20,973	3,397	4,276
Short-term bank deposits	3,281	2,304	1,018	1,017
	28,244	23,277	4,415	5,293

13. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Trade receivables				
- Related parties	-	-	836	364
- Non-related parties	13,956	14,601	-	-
Less: Allowance for impairment of receivables				
- Non-related parties	(202)	(74)	-	-
Trade receivables - net	13,754	14,527	836	364
Loans to subsidiaries	-	-	4,322	7,348
Prepayments	655	156	24	31
Other receivables				
- Non-related parties	2,060	537	-	-
	16,469	15,220	5,182	7,743

Loan to subsidiaries are unsecured and are repayable on demand. Out of the carrying amount of loans to subsidiaries at the end of the financial year, $2,761,000 (2012: $2,648,000) bears interest at 2.3% per annum (2012: 2.3% per annum).

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Beginning of financial year	74	56	-	-
Current year charge (Note 7)	128	120	-	-
Amount written off	-	(102)	-	-
End of financial year	202	74	-	-

The average credit period taken to settle the trade receivables is about 30 days (2012: 30 days). No interest is charged on outstanding balances.

14. INVENTORIES

	Group	
	2013	2012
	$'000	$'000
Trading inventories	40,760	46,355
Inventories-in-transit	2,104	-
	42,864	46,355
Less: Transfer from/(to) property, plant and equipment (Note 17)	242	(7,984)
	43,106	38,371

There was no allowance for impairment in value of inventories at the end of the reporting period.

The cost of inventories recognised as expense and included in cost of sales amounted to $63,341,000 (2012: $66,876,000).

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	
	2013	2012
	$'000	$'000
Beginning of financial year	-	188
Less: Disposal	-	(188)
End of financial year	-	-

16. INTANGIBLE ASSETS

	Group 2013	Group 2012
	$'000	$'000
Goodwill arising from acquisition of subsidiaries (a)	12,840	12,840
Customer relationship (b)	2,267	2,857
	15,107	15,697

(a) Goodwill arising from acquisition of subsidiaries

	Group 2013	Group 2012
	$'000	$'000
Beginning of financial year	12,840	1,237
Acquisition of a subsidiary (Note 34)	-	11,603
End of financial year	12,840	12,840

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% (2012: 5% and 3%) respectively.

The rates used to discount the forecasted cash flows are 18% and 6%, respectively (2012: 18% and 6%) per annum based on the weighted average cost of capital of the respective CGU.

(b) Customer relationship

	Group 2013	Group 2012
	$'000	$'000
Cost:		
Beginning of financial year	2,945	-
Acquisition of a subsidiary (Note 34)	-	2,945
End of financial year	2,945	2,945
Accumulated amortisation:		
Beginning of financial year	88	-
Amortisation charge (Note 7)	590	88
End of financial year	678	88
Carrying amount	2,267	2,857

17. PROPERTY, PLANT AND EQUIPMENT

GROUP	Leasehold land and buildings	Air-conditioners, electrical installations and computers	Containers, renovations and warehouse	Furniture, fittings and office equipment	Plant, machinery and material handling equipment	Motor vehicles, trucks and cranes	Rental materials	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost								
As at 1 July 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 34)	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
Additions	-	143	76	20	1,541	532	4,370	6,682
Disposal/Written off	-	(324)	(86)	-	(1,465)	(496)	(2,558)	(4,929)
Reclassified (to)/from inventories (Note 14)	-	-	-	-	(528)	-	139	(389)
As at 30 June 2013	10,712	565	1,996	563	20,973	2,960	27,364	65,133
Accumulated depreciation								
As at 1 July 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
Depreciation charge	566	48	56	51	2,588	226	1,268	4,803
Disposal/Written off	-	(324)	(86)	-	(1,367)	(460)	(174)	(2,411)
Reclassified from inventories (Note 14)	-	-	-	-	(147)	-	-	(147)
As at 30 June 2013	4,138	340	1,844	410	14,813	2,480	2,107	26,132
Carrying amount								
As at 30 June 2013	6,574	225	152	153	6,160	480	25,257	39,001
As at 30 June 2012	7,140	130	132	184	7,686	210	24,400	39,882

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

COMPANY	Furniture, fittings and office equipment	Air-conditioners, electrical installations and computers	Total
	$'000	$'000	$'000
Cost			
As at 1 July 2011	-	-	-
Additions	-	77	77
As at 30 June 2012	-	77	77
Additions	4	127	131
As at 30 June 2013	4	204	208
Accumulated depreciation			
As at 1 July 2011	-	-	-
Depreciation charge	-	1	1
As at 30 June 2012	-	1	1
Depreciation charge	1	23	24
As at 30 June 2013	1	24	25
Carrying amount			
As at 30 June 2013	3	180	183
As at 30 June 2012	-	76	76

(i) As at 30 June 2013, the Group had property, plant and equipment with carrying amount of $308,000 (2012: $49,000) acquired under finance lease liabilities.

(ii) Particulars of the properties held by the Group as at 30 June 2013 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 $6,574,000 (2012: $7,140,000).

18. INVESTMENTS IN SUBSIDIARIES

	Company 2013 $'000	Company 2012 $'000
Unquoted equity shares, at cost		
Beginning of financial year	32,655	18,708
Additions	2,843	13,947
End of financial year	35,498	32,655

Name of companies	Principal activities	Country of incorporation/ place of business	Percentage of equity held 2013	Percentage of equity held 2012
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	Holding investment property	Singapore	100	100
Hock Ann Metal Scaffolding Pte Ltd (1)	Metal scaffolding services	Singapore	80	60
Held by a subsidiary – Hock Ann Metal Scaffolding Pte Ltd				
Hock Ann Marine Scaffolding Pte Ltd	Investment holding (Dormant)	Singapore	100	100

All the above subsidiaries are audited by RT LLP.

(1) During the financial year ended 30 June 2013, the Company acquired on additional 20% equity interest in Hock Ann Metal Scaffolding Pte Ltd (Note 34).

19. INVESTMENT PROPERTY

	Group	
	2013	2012
	$'000	$'000
Beginning of financial year	10,000	9,500
Fair value gain recognised in profit or loss (Note 6)	2,000	500
End of financial year	12,000	10,000

Investment property is carried at fair value at the end of the reporting period as determined by Suntec Real Estate Consultants (formerly known as 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 30(b)).

Investment property is mortgaged to secure bank loans (Notes 24(ii) and 24(iii)).

The following amounts are recognised in profit or loss:

	Group	
	2013	2012
	$'000	$'000
Rental income (Note 6)	1,342	1,403
Direct operating expenses arising from investment property that generated rental income	(2)	(2)
Property tax and other direct operating expenses arising from investment property that did not generate rental income	(362)	(366)

Particulars of investment property held by the Group as at 30 June 2013 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	
	2013	2012
	$'000	$'000
At cost	159	159
Market value	215	226

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	
	2013	2012
	$'000	$'000
Quoted equity securities	1,376	1,376
Less: Impairment loss	(1,376)	(1,376)
	-	-

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

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 are shown on the statements of financial position as follows:

	Group		Company	
	2013	2012	2013	2012
	$'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	4,111	2,922	31	-

The movement in deferred income tax assets and liabilities is as follows:

<u>Deferred income tax liabilities</u>

	Group	
	2013	2012
	$'000	$'000
Beginning of financial year	2,922	1,541
Acquisition of a subsidiary (Note 34)	-	74
Charged to profit or loss	1,189	1,307
End of financial year	4,111	2,922

22. DEFERRED INCOME TAX (CONTINUED)

Deferred income tax assets

	Group	
	2013	2012
	$'000	$'000
Beginning of financial year	(50)	(50)
Charged to profit or loss	-	-
End of financial year	(50)	(50)

23. TRADE AND OTHER PAYABLES

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Trade payables - non-related parties	4,431	3,154	-	-
Rental deposits	1,345	1,179	-	-
Advances from customers	140	138	-	-
Accruals for operating expenses	1,649	1,135	299	312
Accurals for directors' fees	75	60	75	60
Accruals for directors' profit sharing	408	316	408	253
Other payables - non-related parties	416	41	112	-
	8,464	6,023	894	625

The average credit period taken to settle the trade payables is about 30 days (2012: 30 days). No interest is charged on outstanding balances.

24. BANK LOANS AND BILLS PAYABLE

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Current				
Bank loan I - secured	265	254	-	-
Bank loan II - secured	486	484	-	-
Bank loan III - secured	235	234	-	-
Bank loan IV - unsecured	1,284	1,284	-	-
Bank loan V - secured	48	49	-	-
Bank loan VI - unsecured	2,789	2,789	2,789	2,789
Bank loan VII - unsecured	580	-	580	-
Short-term bank loans - unsecured	14,500	12,500	-	-
Bills payable to banks - unsecured	14,591	8,224	-	-
	34,778	25,818	3,369	2,789

24. BANK LOANS AND BILLS PAYABLE (CONTINUED)

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Non-current				
Bank loan I - secured	140	425	-	-
Bank loan II - secured	2,618	3,098	-	-
Bank loan III - secured	1,268	1,500	-	-
Bank loan IV - unsecured	113	1,397	-	-
Bank loan V - secured	686	735	-	-
Bank loan VI - unsecured	8,368	11,158	8,368	11,158
Bank loan VII - unsecured	2,263	-	2,263	-
	15,456	18,313	10,631	11,158
Total	50,234	44,131	14,000	13,947

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	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
12 months or less	34,778	25,818	3,369	2,789
1 - 5 years	14,379	16,964	10,631	11,158
Over 5 years	1,077	1,349	-	-
	50,234	44,131	14,000	13,947

(i) Bank loan I

A loan of $2,400,000 which commenced in 2004 is repayable by monthly instalments of $23,635 up to 1 February 2012 and monthly instalments of $23,867 from 1 March 2012 until the final payment on 1 January 2015. The interest rate is fixed at 2.7% per annum up to 28 March 2011 and 2.1% per annum below the Prime Lending Rate up to 28 March 2012 and at 1.22% per annum below the Prime Lending Rate thereafter until its maturing on 1 January 2015. The bank loan is secured by the Group's leasehold land and building as disclosed in Note 17.

(ii) Bank loan II

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.

(iii) Bank loan III

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% per annum for the second year and 2% per annum 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.

24. BANK LOANS AND BILLS PAYABLE (CONTINUED)

(iv) Bank loan IV

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.

(v) Bank loan V

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 $5,374 and $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 3 months Singapore Interbank Ofter Rate ("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 land and building (Note 17) and joint and several guarantees of the subsidiary's directors.

(vi) Bank loan VI

In 2012, 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.

(vii) Bank loan VII

During the financial year, the Company obtained a $2,842,385 bank loan. The loan is repayable over 20 fixed quarterly instalments of $145,000. The loan bears interest of 1.60% 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 which bears interest ranging from 1.52% to 1.88% per annum and bills payable granted to the Group are secured by the corporate guarantee given by the Company.

Fair value of non-current bank loans

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Bank loans	15,456	18,313	10,631	11,158

The carrying amounts of the above bank loans equal their fair values, as they are floating rate financial liabilities.

25. FINANCE LEASE LIABILITIES

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Minimum lease payments payable:				
Within one year	76	81	76	76
Within two to five years	186	43	168	34
	262	124	244	110
Finance charges allocated to future periods	(18)	(14)	-	-
	244	110	244	110
Less: Repayable within one year included under current liabilities			(76)	(76)
Repayable after one year			168	34

The effective interest rate in financial year 2013 ranges from 2.75% to 5.4% (2012: 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 finance lease liabilities are secured by the lessor's charge over the leased assets and corporate guarantees by the Company.

The fair values of the finance lease liabilities 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	
	2013	2012
	$'000	$'000
Beginning of financial year	2,938	5,012
Credited to profit or loss (Note 6)	(2,074)	(2,074)
End of financial year	864	2,938
Less: Classified under current liabilities	(864)	(2,074)
Non-current liabilities	-	864

27. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		Amount Share capital	
	2013	2012	2013	2012
	’000	’000	$’000	$’000
Issued and fully paid:				
At beginning and 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.

28. EMPLOYEE COMPENSATION

	Group		Company	
	2013	2012	2013	2012
	$’000	$’000	$’000	$’000
Wages, salaries and bonus	6,235	5,177	1,932	1,770
Employer’s contributions to Central Provident Fund	423	365	75	92
Other staff related expenses	802	584	103	193
	7,460	6,126	2,110	2,055

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

29. DIVIDENDS

	Group and Company	
	2013	2012
Ordinary dividends paid	$’000	$’000
Final dividend paid in respect of the previous financial year of 0.25 cents (2012: 0.30 cents) per share	984	1,181

In respect of the current financial year, the directors propose a final dividend of 0.25 cents per share. This dividend is subject to approval by shareholders at the Annual General Meeting. The total estimated dividend to be paid is $984,000. These financial statements do not reflect this dividend, which will be accounted for in shareholders’ equity as an appropriation of retained earnings in the financial year ending 30 June 2014.

30. 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	
	2013	**2012**
	$'000	**$'000**
Not later than one year	3,151	5,368
Later than one year and not later than five years	5,209	7,355
Later than five years	9,143	9,136
	17,503	21,859

The rental expense for the financial year amounted to $5,308,000 (2012: $5,357,000).

(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	
	2013	**2012**
	$'000	**$'000**
Not later than one year	2,802	3,932
Later than one year and not later than five years	786	2,727
	3,588	6,659

The rental income for the financial year amounted to $5,862,000 (2012: $4,875,000). The leases have terms from 1 year to 3 years (2012: 1 year to 3 years).

31. GUARANTEES

	Group	
	2013	2012
	$'000	$'000
Bankers' guarantee	3,379	3,567

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

Corporate guarantees of $105,400,000 (2012: $97,362,000) 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.

32. 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 following primary geographic areas: Singapore, Bangladesh, India, Indonesia, Malaysia, China, Vietnam, Korea, Japan and Taiwan.

For management purposes, the Group is organised into business units based on their products and services, and has four reportable segments as follows:

- Recycling - engages in import and export of scrap iron and steel, ferrous and non-ferrous metals.
- Trading - engages in sale of steel and stainless steel products.
- Scaffolding services – engages in provision of scaffolding services and related consultancy services.
- Others - 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.

32. SEGMENT INFORMATION (CONTINUED)

32.1 Business segments

	Recycling		Trading		Scaffolding Services		Others		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Segment revenue										
Sales to external customers	39,171	27,380	31,817	45,884	13,078	2,705	6,901	9,084	90,967	85,053
Segment result	2,062	854	(57)	32	4,783	1,127	1,620	684	8,408	2,697
Other income									11,483	10,620
Unallocated expenses										
- Employee compensation									(1,709)	(2,072)
- Depreciation									(75)	(88)
- Foreign exchange loss									(357)	(2)
- Land rent and rental expenses									(3,596)	(2,105)
- Others									(3,717)	(2,561)
Profit from operations									10,437	6,489
Finance expenses									(729)	(693)
Profit before income tax									9,708	5,796
Income tax expense									(2,050)	(1,739)
Profit after income tax									7,658	4,057
Non-controlling interests									(1,359)	(321)
Profit attributable to equity holders of the Company									6,299	3,736
Other information:										
Depreciation	1,927	1,398	1,221	1,630	1,293	301	362	345	4,803	3,674
Capital expenditure	2,933	2,850	1,299	4,772	1,779	769	671	1,171	6,682	9,562
ASSETS										
Segment assets	25,595	48,191	49,962	46,862	16,191	12,242	41,505	14,259	133,253	121,554
Unallocated assets										
- Cash and cash equivalents									4,415	5,293
- Goodwill									12,840	12,840
- Intangible assets									2,267	2,857
- Others									1,361	112
Total assets									154,136	142,656
LIABILITIES										
Segment liabilities	20,617	8,522	19,584	24,182	3,436	2,759	6,010	7,035	49,647	42,498
Unallocated liabilities										
- Trade and other payables									902	583
- Borrowings									14,000	13,947
- Others									132	4
Total liabilities									64,681	57,032

32. SEGMENT INFORMATION (CONTINUED)

32.2 Geographical segments

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

	2013			2012		
	Segment revenue	**Carrying amount of segment assets**	**Capital expenditure**	**Segment revenue**	**Carrying amount of segment assets**	**Capital expenditure**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Singapore	64,975	133,253	6,682	77,249	121,554	9,562
Bangladesh	1,323	-	-	1,252	-	-
India	5,510	-	-	741	-	-
Indonesia	2,651	-	-	1,478	-	-
Malaysia	9,199	-	-	3,224	-	-
China (inclusive of Hong Kong)	1,785	-	-	-	-	-
Vietnam	2,629	-	-	-	-	-
Korea	1,369	-	-	352	-	-
Japan	114	-	-	-	-	-
Taiwan	732	-	-	248	-	-
Others *	680	-	-	509	-	-
	90,967	133,253	6,682	85,053	121,554	9,562

* Includes Brazil, Egypt, the Netherlands, Nepal, New Zealand, Turkey, Thailand, United Arab Emirates and the United States of America.

<u>Information about major customers</u>

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

33. 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.

33. 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 are denominated in the same foreign currency.

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

	SGD	USD	Total
At 30 June 2013	**$'000**	**$'000**	**$'000**
Financial assets			
Cash and cash equivalents	23,127	5,117	28,244
Trade and other receivables	15,814	-	15,814
	38,941	5,117	44,058
Financial liabilities			
Trade and other payables	8,256	208	8,464
Bank loans and bills payable	49,255	979	50,234
Finance lease liabilities	244	-	244
	57,755	1,187	58,942
Net financial (liabilities)/assets	(18,814)	3,930	(14,884)
Less: Net financial liabilities denominated in the respective entities' functional currency	18,814	-	18,814
Currency exposure	-	3,930	3,930

	SGD	USD	Total
	$'000	**$'000**	**$'000**
At 30 June 2012			
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)

33. 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
	$'000	**$'000**	**$'000**
At 30 June 2013			
Financial assets			
Cash and cash equivalents	4,380	35	4,415
Trade and other receivables	5,158	-	5,158
	9,538	35	9,573
Financial liabilities			
Trade and other payables	894	-	894
Bank loans and bills payable	14,000	-	14,000
	14,894	-	14,894
Net financial (liabilities)/assets	(5,356)	35	(5,321)
Less: Net financial liabilities denominated in the functional currency of the Company	5,356	-	5,356
Currency exposure	-	35	35

	SGD	USD	Total
	$'000	**$'000**	**$'000**
At 30 June 2012			
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 bill 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

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

(i) Currency risk (Continued)

If the USD changes against the SGD by 5% (2012: 5%) 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 2013 $'000	Increase/ (Decrease) Profit after tax 2012 $'000
Group		
USD against SGD		
- Strengthened	197	(91)
- Weakened	(197)	91
Company		
USD against SGD		
- Strengthened	2	2
- Weakened	(2)	(2)

(ii) Price risk

The Group is not materially exposed to equity securities price risk because of the investment held by the Group which is classified as financial assets, available-for-sale has been fully impaired. These securities are listed in Indonesia. Nevertheless, the Group monitors the fluctuation of the prices of these securities on a regular basis in view of the possibility of reversing some of the impairment loss.

(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 short-term deposits, pledged bank borrowings, and financial lease liabilities.

The Group and the Company manage their interest rate risks on their interest income and expense by placing the cash balances in varying maturities and interest rate terms, and borrows at varying interest rate terms and durations.

33. 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 2013							
Assets							
Cash and cash equivalents	3,281	-	-	-	-	-	3,281
Liabilities							
Financial lease liabilities	-	-	-	76	168	-	244
Bank loans and bills payable	34,778	14,379	1,077	-	-	-	50,234

	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							
Finance lease liabilities	-	-	-	76	34	-	110
Bank loans and bills payable	25,818	16,964	1,349	-	-	-	44,131

33. 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 2013						
Assets						
Cash and cash equivalents	1,018	-	-	-	-	1,018
Loan to a subsidiary	-	-	2,761	-	-	2,761
Liabilities						
Bank loans	3,369	10,631	-	-	-	14,000

	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 a subsidiary	-	-	2,648	-	-	2,648
Liabilities						
Bank loans	2,789	11,158	-	-	-	13,947

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 to be 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.

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

(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 $5,838,000 (2012: $4,607,000).

(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	
	2013	**2012**
	$'000	**$'000**
Past due 0 to 3 months	7,073	7,586
Past due 4 to 6 months	798	2,090
Past due exceeding 6 months	8	244
	7,879	9,920

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

	Group	
	2013	**2012**
	$'000	**$'000**
Gross amount	239	74
Less: Allowance for impairment	(202)	(74)
	37	-

Trade receivable that individually determined to be impaired as at 30 June 2013 and 30 June 2012 relate to receivables that are in financial difficulties and have defaulted in payments.

The movement in the allowance for impairment are disclosed in Note 13

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

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

	Less than 1 year $'000	Between 1 to 5 years $'000	Over 5 years $'000
Group			
At 30 June 2013			
Trade and other payables	8,464	-	-
Finance lease liabilities	76	186	-
Bank loans and bills payable	35,038	14,773	1,190
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

	Less than 1 year $'000	Between 1 to 5 years $'000	Over 5 years $'000
Company			
At 30 June 2013			
Trade and other payables	894	-	-
Bank loans and bills payable	3,566	10,898	-
At 30 June 2012			
Trade and other payables	625	-	-
Bank loans and bills payable	2,952	11,172	-

The Group and the Company 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, 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% (2012: 150%). The Group's strategies, which were unchanged from 2012, 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 finance lease liabilities less cash and cash equivalents. Total capital is calculated as equity plus net debt.

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Capital risk (Continued)

	Group	
	2013	2012
	$'000	$'000
Net debt	22,234	20,964
Total equity	89,455	85,624
Total capital	111,689	106,588
Gearing ratio	20%	20%

The Group and Company are in compliance with all externally imposed capital requirements for the financial years ended 30 June 2013 and 2012.

(e) Fair values

Management has determined that the carrying amounts of trade and other receivables, cash and cash equivalents, trade and other payables, finance lease liabilities and bank loans and bills payable, 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.

34. 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:

34. BUSINESS COMBINATION (CONTINUED)

(a) Identifiable assets acquired and liabilities assumed

	At fair value $'000
Property, plant and equipment (Note 17)	5,736
Intangible assets - Customer relationship (Note 16)	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 (Note 22)	(74)
Current income tax liabilities	(1,076)
Total liabilities	(2,499)
Total identifiable net assets	11,642
Less: Non-controlling interests 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

(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.

34. BUSINESS COMBINATION (CONTINUED)

(f) Non-controlling interests

The Group has chosen to recognise the 40% non-controlling interests at its fair value of $9,298,000. The fair value was estimated by using the proportionate share of the consideration transferred by the Group of $13,947,000 for the acquisition of the 60% equity interest in Hock Ann Metal.

(g) 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.

(h) 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.

Completion of the Tranche 2 acquisition of the issued and paid-up share capital of Hock Ann Metal

On 9 April 2013, the Company completed the Tranche 2 acquisition of the issued and paid-up share capital of Hock Ann Metal for a cash consideration of $2,843,000. Subsequent to the completion of the Tranche 2 acquisition, the Company now holds 80% of the entire share capital of Hock Ann Metal. As a result of the Tranche 2 acquisition, the Company recognised an excess of the proportionate amount of the carrying amount of net assets of the acquired non-controlling interests over the consideration paid directly in retained earnings. The amount recognised directly in retained earnings is $2,432,000. The proportionate amount of the carrying amount of net assets of the acquired non-controlling interests is $5,275,000.

35. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

Proposed acquisition of assets

On 18 June 2013, the Company entered into a non-binding heads of terms with Chye Hup Heng Sdn Bhd (“CHH”) in respect of acquiring parcels of land situated in Malaysia and all the buildings, machinery, plant and equipment (“Assets”) situated on such parcels of land in respect of CHH’s metal recycling business in Malaysia (“Proposed Acquisition”).

To secure the exclusivity of the Proposed Acquisition of the Assets, the Company paid a mutually agreed earnest deposit of RM400,000 (or approximately $160,077 based on an exchange rate of SGD 1 to RM 2.4988) to an escrow account. The earnest deposit shall be immediately refunded with interest without demand should any one of the events indicated in the heads of terms occur any time after the date of the heads of terms and before the longstop date of 18 months from the date of the heads of terms.

35. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD (CONTINUED)

Incorporation of a new subsidiary

The Company's wholly-owned subsidiary, Yew Lee Seng Metal Pte Ltd, has established Union CHH Sdn. Bhd ("Union CHH") in Malaysia on 1 July 2013. As at 2 July 2013, the authorised share capital of Union CHH is RM10,000,000 divided into 10,000,000 shares of RM1.00 each. The issued and paid-up capital of Union CHH is RM1,000,000 divided into 1,000,000 shares of RM1.00 each.

Union CHH will carry out the proposed Group's metal recycling business operations in Malaysia.

Proposed lease / service arrangements

Pending the completion of the Proposed Acquisition and subject to the execution of a formal lease and/or service agreement, Union CHH may lease the Assets and obtain the services of CHH and commence the metal recycling business operations as soon as practicably possible after the signing of the heads of terms.

36. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATION

Below are the mandatory new and revised FRS and amendments and improvements to FRSs that have been published, and are relevant for the Company's accounting periods beginning on or after 1 July 2013 or later periods and which the Company has not early adopted.

- FRS 19 (Revised 2011), Employee Benefits (effective for annual periods beginning on or after 1 January 2013)
- 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 new and revised FRSs and amendments and improvements 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

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 19 September 2013

Size of shareholdings	No. of shareholders	%	No. of Shares	%
1 - 999	56	3.15	2,642	0.00
1,000 - 10,000	602	33.90	4,125,150	1.05
10,001 - 1,000,000	1,099	61.88	88,438,330	22.46
1,000,001 and above	19	1.07	301,214,967	76.49
Total	1,776	100.00	393,781,089	100.00

Twenty largest shareholders as at 19 September 2013

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	35,638,000	9.05
4	Ang Yew Chye	29,576,431	7.51
5	SBS Nominees Pte Ltd	10,590,000	2.69
6	Super Group Ltd	6,109,000	1.55
7	UOB Kay Hian Pte Ltd	5,170,000	1.31
8	Lim & Tan Securities Pte Ltd	5,046,000	1.28
9	Maybank Kim Eng Securities Pte Ltd	4,676,000	1.19
10	OCBC Securities Private Ltd	4,084,048	1.04
11	United Overseas Bank Nominees Pte Ltd	2,461,010	0.63
12	Teo Kek Tjok @ Teo Kek Yeng	2,210,000	0.56
13	CIMB Securities (Singapore) Pte Ltd	2,106,020	0.53
14	Cheng Buck Poh @ Chng Bok Poh	2,034,000	0.52
15	Seah Kiok Leng	2,000,000	0.51
16	Lim Puay Lan	1,533,000	0.39
17	DBS Nominees Pte Ltd	1,306,000	0.33
18	Chong Hock Ping	1,150,000	0.29
19	Goh Sian Chay	1,106,000	0.28
20	DB Nominees (S) Pte Ltd	1,000,000	0.26
	Total:	302,214,967	76.75

Substantial Shareholders as at 19 September 2013

(As recorded in the Register of Substantial Shareholders)

	Number of Shares			
Name	Direct Interest	(%)	Deemed Interest	(%)
Ang Yu Seng	137,248,408	34.85	-	-
Ang Yew Lai	47,171,050	11.98	-	-
Ang Yew Chye	29,576,431	7.51	-	-
Goi Seng Hui	35,638,000	9.05	-	-

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

As at 19 September 2013, 36.49% of the Company's shares are held in hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST which requires 10% of the equity securities (excluding preference shares and convertible equity securities) in a class that is listed to be in the hands of the public.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Union Steel Holdings Limited ("the Company") will be held at 33 Pioneer Road North Singapore 628474 on Thursday, 24 October 2013 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company and the Group for the financial year ended 30 June 2013 together with the Auditor's Report thereon. **Resolution 1**

2. To declare a first and final dividend (tax exempt one-tier) of 0.25 cents per ordinary share for the financial year ended 30 June 2013. (2012: 0.25 cents) **Resolution 2**

3. To approve the payment of Directors' fees of S$130,000 for the financial year ending 30 June 2014, payable half yearly in arrears. (2013: S$120,000) **Resolution 3**

4. To re-elect the following Directors of the Company who retire pursuant to Article 91 of the Articles of Association of the Company:

   Mr Chan Kok Poh **Resolution 4**
   Mr Ang Yew Chye **Resolution 5**

   [See Explanatory Note (i)]

5. To re-appoint Messrs RT LLP, Certified Public Accountants, as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **Resolution 6**

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

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

7. **Authority to issue shares in the capital of the Company pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited**

   That pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company be authorised and empowered to:

   (a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

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

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares pursuant to any Instrument made or granted by the Directors of the Company while this Resolution was in force,

(the "***Share Issue Mandate***")

provided that:

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

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

    (a) new shares arising from the conversion or exercise of the Instruments or any convertible securities;

    (b) new shares arising from exercising share options or vesting of share awards outstanding and subsisting at the time of the passing of this Resolution; and

    (c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the Share Issue Mandate 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 of the Company; and

(4) unless revoked or varied by the Company in a general meeting, the Share Issue Mandate shall continue in force (i) until the conclusion of the next Annual General Meeting ("AGM") of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments.

[See Explanatory Note (ii)] **Resolution 7**

8. **Authority to issue shares under the Union Steel Holdings Employee Share Option Scheme**

That pursuant to Section 161 of the Companies Act, Chapter 50, the Directors of the Company be authorised and empowered to offer and grant share options under the Union Steel Holdings Employees' Share Option Scheme (the "ESOS Scheme") and to 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 share options granted by the Company under the ESOS Scheme, 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 Scheme shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iii)] **Resolution 8**

9. **Authority to issue shares under the Union Steel Performance Share Scheme**

That pursuant to Section 161 of the Companies Act, Chapter 50, the Directors of the Company be authorised and empowered to offer and grant share awards under the Union Steel Performance Share Scheme (the "Scheme") and to 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 vesting of share awards under the Scheme, 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 Scheme shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iv)] **Resolution 9**

By Order of the Board

Wong Chee Meng Lawrence
Shirley Tan Sey Liy
Company Secretaries
Singapore, 9 October 2013

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) Mr Chan Kok Poh will, upon re-election as a Director of the Company, remain as Chairman of the Remuneration Committee and a member of the Audit Committee and will be considered independent.

(ii) Resolution 7 above, if passed, will empower the Directors of the Company from the date of this AGM until the date of the next AGM of the Company, or the date by which the next AGM 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, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to twenty per centum (20%) may be issued other than on a pro rata basis to existing shareholders of the Company.

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

(iii) Resolution 8 above, if passed, will empower the Directors of the Company, from the date of this AGM until the next AGM of the Company, or the date by which the next AGM 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 share options granted or to be granted under the ESOS Scheme provided that the aggregate additional shares to be issued pursuant to the ESOS Scheme do not exceed in total (for the entire duration of the Scheme) fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

(iv) Resolution 9 above, if passed, will empower the Directors of the Company, from the date of this AGM until the next AGM of the Company, or the date by which the next AGM 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 vesting of share awards under the Scheme provided that the aggregate additional shares to be issued pursuant to the Scheme do not exceed in total (for the entire duration of the Scheme) fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

Notes:

1. A Member of the Company entitled to attend and vote at the AGM 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 authorised 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 AGM of the Company.

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UNION STEEL HOLDINGS LIMITED
Co. Reg No. 200410181W
(Incorporated in the Republic of Singapore)

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT

1. For investors who have used their CPF monies to buy shares 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.

*I/We ______________________ NRIC/Passport No: ______________________

of ____

being *a 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 24 October 2013 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	Directors' Report and Audited Accounts for the financial year ended 30 June 2013		
2	Payment of proposed first and final divided		
3	Approval of Directors' fees amounting to S$130,000 for the financial year ending 30 June 2014, payable half yearly in arrears (2012: S$120,000)		
4	Re-election of Mr Chan Kok Poh as a Director under Article 91		
5	Re-election of Mr Ang Yew Chye as a Director under Article 91		
6	Re-appointment of RT LLP as Auditors and to authorise the Directors of the Company to fix their remuneration		
Special Business			
7	Authority to issue new shares		
8	Authority to issue shares pursuant to exercise of options under the Union Steel Holdings Employee Share Option Scheme		
9	Authority to issue shares under the Union Steel Performance Share Scheme		

Dated this __________ day of ________________ 2013

Total number of Shares in:	Number of Shares
(a) CDP Register	
(b) Register of Members	

____

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

* Delete where inapplicable

FOLD HERE FOR SEALING

PLEASE
AFFIX 26
CENTS
POSTAGE
STAMP
HERE

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

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, Chapter 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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