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

Annual Report 2014

Vision

Your preferred partner for steel solutions

Mission

We offer innovative solutions and value-added services for metal recycling, reusing and reducing.

Values

Integrity
Customer focused
Teamwork and Bonding
Progress and Growth
Innovation

Contents

Corporate Profile

Founded in 1984, Union Steel Holdings Limited ("Union Steel" or the Group) started operations as YLS Steel Pte Ltd which was involved in the trading of ferrous scrap metal. Today, the Group is 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.

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 a 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, establishing a wholly-owned subsidiary in 2013 for this purpose and entering into an acquisition agreement in April 2014.

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 hundreds of suppliers and customers, in countries such as India, Indonesia, Korea, Malaysia, Singapore, Japan and China. 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.

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 around the world.

The Group believes that it provides one of the most comprehensive product offerings of ferrous and non-ferrous scrap metals in Singapore. The new establishment, set up in Malaysia in July 2013, 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, sales and rental of scaffolding materials and supply of skilled workers in erection and dismantling of scaffolds. We specialise in tubular and modular scaffolding and work with major developers in Singapore.

Safety is the main concern and our having obtained OHSAS 18001:2007 for Provision of Building Construction Service is a testimony to our safety standards. We have also obtained BizSAFE Level Star in our continuous effort to improve our safety standards.

Other Business

The Group also derives other income through (i) leasing of industrial properties; and (ii) waste collection.

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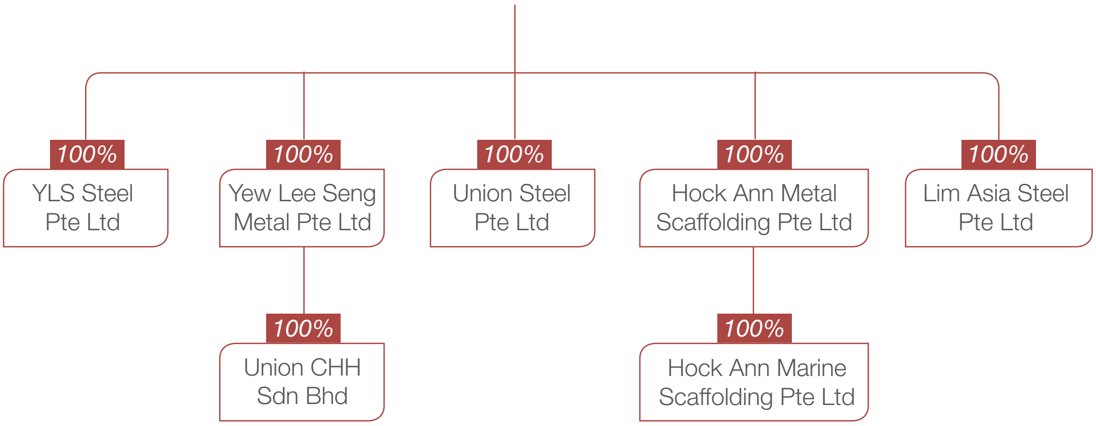


YLS Steel Pte Ltd

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. Union Steel Pte Ltd provides cut-and-bend services for reinforcement bars and rods as well, which can be fabricated and customised to our customers' specific installation requirements.

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 scrap.

Hock Ann Metal Scaffolding Pte Ltd

Hock Ann Metal Scaffolding Pte Ltd is one of Singapore's leading scaffolding service providers. The Group had begun acquiring it in April 2012. With its track record in delivering excellence, coupled with industry knowledge and safety awareness in the scaffolding industry, it has become the preferred partner of some of Singapore's most prominent construction companies. It specialises in scaffolding services and related consultancy, sales and rental of scaffolding materials and supply of skilled workers in erection and dismantling of scaffolds.

The Group has completed the 3 tranches of this acquisition and it has become a wholly-owned subsidiary since 1 April 2014.

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 dealing in industrial 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 and operates several collection centres in Malaysia.

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 2014.

Union Steel remains firmly committed to adapt and deliver shareholder returns in the face of a challenging business environment. Our business remains grounded in our core competencies, and we continue to ensure that our working capital is deployed judiciously. At the same time, we also look to grow the Group through strategic acquisitions and alliances. Over the course of FY2014, we acquired the third and final equity tranche in Hock Ann Metal Scaffolding Pte. Ltd. ("Hock Ann"), thus making it a wholly owned subsidiary. We look forward to sustained contributions from Hock Ann, and for the synergistic effect it has on the Group by providing cross-selling opportunities.

We have also looked overseas for opportunities, and to that end, in June 2013 we entered into a non-binding heads of terms to acquire assets in Malaysia, which we followed up with an acquisition agreement in April 2014. The proposed acquisition is still ongoing and subject to the fulfillment of certain conditions; we will keep shareholders updated on the progress.

To show our appreciation to our loyal shareholders, the Board of Directors has once again proposed a first and final dividend of 0.25 cents per share (FY2013: 0.25 cents).

Financial and Business Review

Group revenue grew 60.1% from $91.0 million in FY2013 to $145.6 million in FY2014, boosted by increased revenue from the trading and recycling business segments, as well as revenue contributions from the new business entity which was established in Malaysia during FY2014. With the cost of setting up the operations in Malaysia, exacerbated by strong competition within the steel industry, cost of sales increased by 70.4%, and gross profit margin declined from 16.2% in FY2013 to 10.8% in FY2014. Gross profit was $15.7 million in FY2014, 6.6% higher than in FY2013.

Other income decreased by approximately $1.3 million to $10.2 million, mainly due to the absence of rental income in FY2014 for properties sold under sales and leaseback agreements, partially offset by gains from disposal of fixed assets and a fair value gain in investment property value. Distribution and marketing expenses increased by $0.7 million, and administrative expenses increased by $2.3 million, mainly due to the increase in the Group's business activities, particularly with regard to the Malaysia entity. Finance costs

increased by $258K to $987K mainly due to an increase in term loans and trust receipts to support the overall increase in business activities.

In view of the above factors, the Group's net profit reduced from $7.7 million in FY2013 to $4.9 million in FY2014.

Shareholders' equity rose from $89.5 million at the end of the preceding financial year, to $90.1 million as at 30 June 2014. The Group held $33.7 million in cash and cash equivalents as at 30 June 2014, an increase from $28.2 million at the end of FY2013. Net asset value per share also increased from 21.27 cents to 22.87 cents over the same period.

Outlook

The Group continues to face headwinds with intense competition, price pressures, and weak pricing. Nonetheless, we strive to maintain our operating efficiency and leverage on good working relationships to tide us through. Looking externally, acquisitions are still a key aspect of our growth strategy and we continue to seek out suitable opportunities. Hock Ann is an example of an acquisition we have made that has a positive effect on the Group's financial performance. Its scaffolding business has performed well, and we are positive on this business segment for FY2015 and in the years ahead.

The Group's cash position is healthy, giving us room to evaluate other external opportunities to deploy our capital and enhance returns for shareholders.

Acknowledgements

On behalf of the Board of Directors, we thank our loyal shareholders who have journeyed with us through the years. We owe much of our success to the invaluable support from all our customers, suppliers, advisers, bankers, and business partners, and credit is also due to our management and staff for their hard work and dedication. Lastly, my thanks also go out to my fellow Board members for their support and counsel.

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

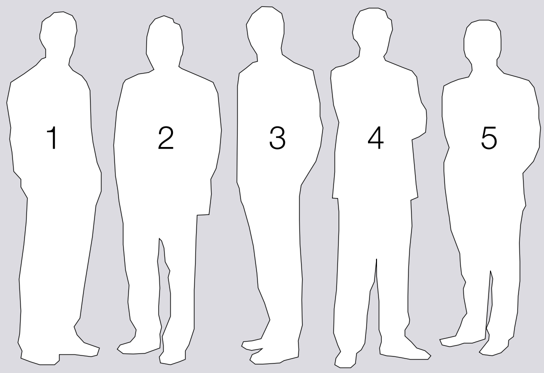
Our Processes

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**

1. **Mr Ang Yu Seng**
   Executive Chairman and Chief Executive Officer
2. **Mr Ang Yew Chye**
   Executive Director
3. **Mr Siau Kai Bing**
   Lead Independent Director
4. **Mr Chang Yeh Hong**
   Independent Director
5. **Mr Chan Kok Poh**
   Independent Director



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

Lead Independent Director

Mr Siau Kai Bing was appointed as Independent Director and Lead Independent Director of our Company on 28 June 2005 and 23 September 2014 respectively. 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.

Key Management

Mr Chua Wei Chye Lawrence

Group Financial Controller

Mr Chua Wei Chye Lawrence joined our Group as Group Financial Controller in February 2014. He is responsible for the Group's strategic & corporate planning, treasury functions, financial reporting and accounts. Prior to joining our Group, he held head of finance positions in various companies listed on the SGX-ST since July 2007. From November 2002 to July 2007, he was with Ernst & Young's assurance department and was involved in the audit of various industries, listed companies and initial public offering projects for companies intending to list on the SGX-ST and the NASDAQ. He subsequently left the firm as an audit manager. From July 2000 to November 2002, he was with the audit department of BDO Raffles (formerly known as BDO International).

Mr Chua graduated from the Association of Chartered Certified Accountants ("ACCA") in 1999 and obtained a degree of Master in Business Administration from Manchester Business School in 2011. He is a Fellow of Chartered Certified Accountants and a non-practicing member of Institute of Singapore Chartered Accountants.

Ms Ang Siew Chin

Senior Operations Manager

Ms Ang Siew Chin joined the Group since June 2000, and was appointed as Senior Operations Manager in December 2009. She oversees the Group's operations in Singapore and is responsible for its core businesses from procurement, sales and marketing of prime steel products to collection and recycling of metal scrap.

Mr Wilson Ong

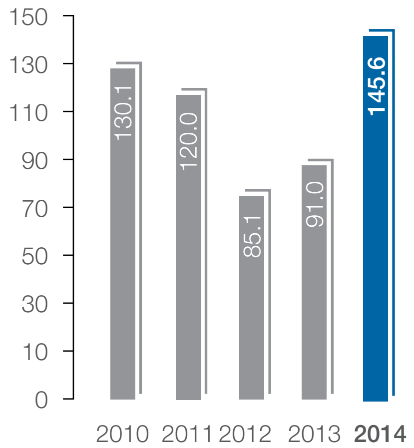
Director, Scaffolding Division

Mr Wilson Ong is the founder of Hock Ann Metal Scaffolding Pte Ltd ("Hock Ann") and oversees the scaffolding division. He joined the Group after Hock Ann was acquired in April 2012. He is responsible for the company's day to day sales & operations as well as managing and controlling a workforce of over a hundred employees.

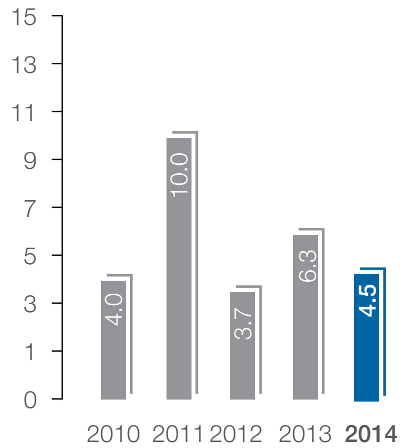
Mr Ong holds a Master of Business Administration from Southern Cross University.

	FY 2014	FY 2013	FY 2012	FY2011	FY2010
Group Turnover (S$'million)	145.6	91.0	85.1	102.0	130.1
Group Net Profit Attributable to Shareholders (S$'million)	4.5	6.3	3.7	10.0	4.0
Group Gross Margin (%)	10.8%	16.2%	10.0%	12.9%	8.6%
Group EPS (cents)	1.1	1.6	0.95	2.8	1.1
Group NAV (cents)	22.9	21.3	19.3	18.7	16.8
Dividend Payout Ratio (%)	21.9	15.6	26.3	11.7	0

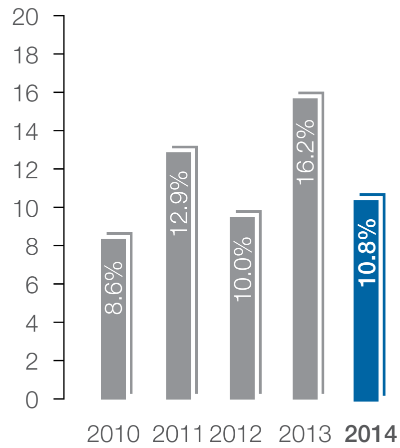
Group Turnover
(S$'million)



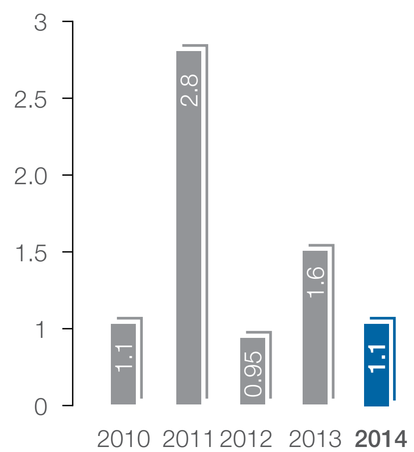
Group Net Profit Attributable to Shareholders
(S$'million)



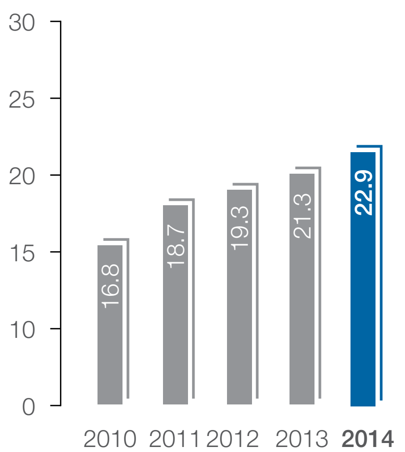
Group Gross Margin
(%)



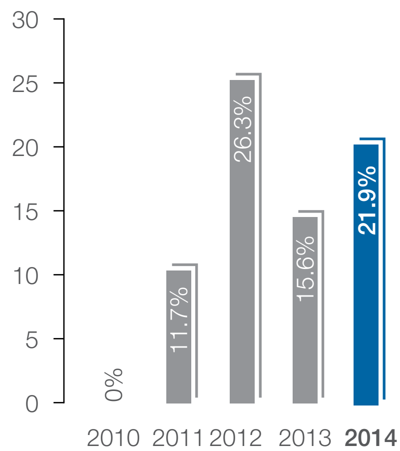
Group Earning Per Share
(cents)



Group NAV
(cents)

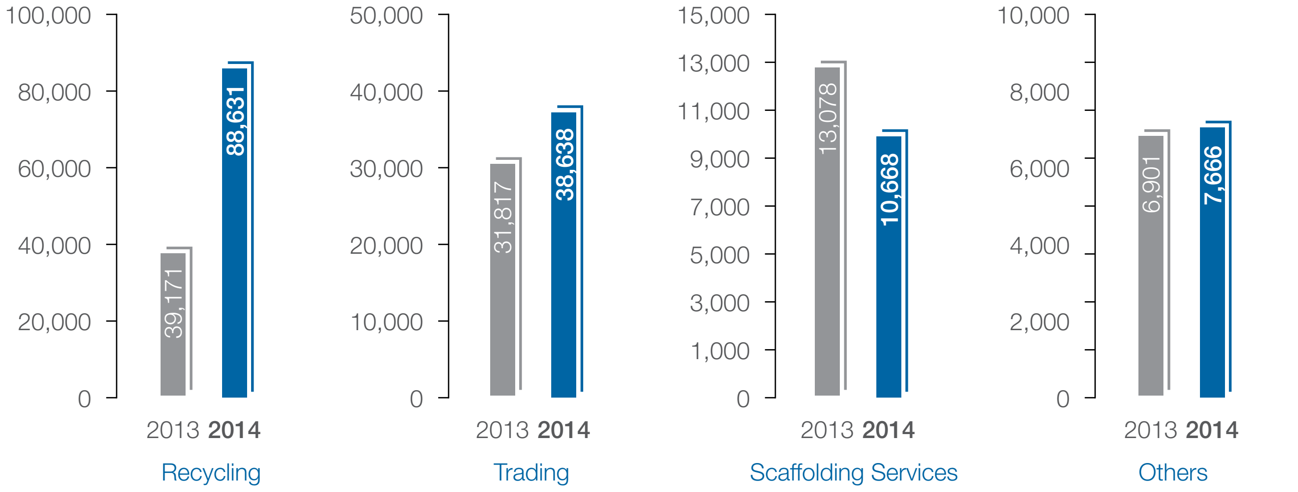


Dividend Payout Ratio
(%)

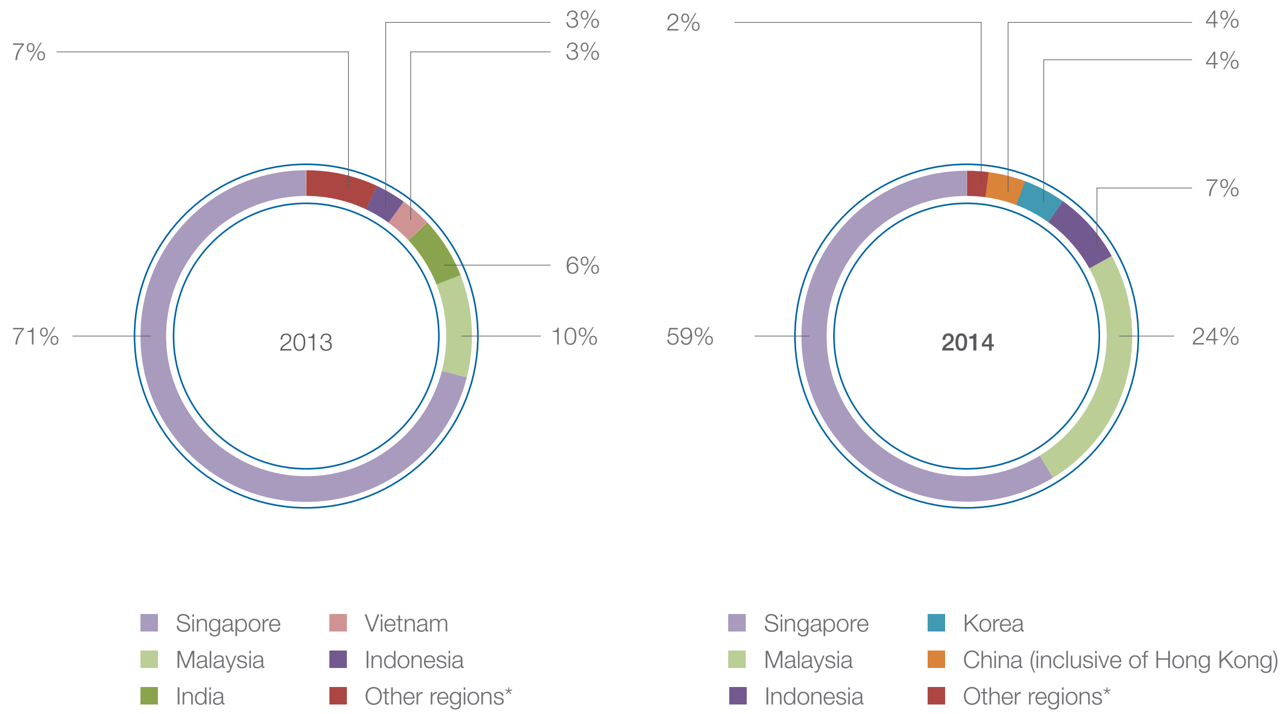


Financial Highlights

Segment Revenue
($'000)



Group Revenue by Geographical Region



Financial Contents

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 2012 (the "Code") to provide the structure through which the objectives of protection of shareholders' interest and enhancement of long term shareholders' value are met.

This report sets out the Group's main corporate governance practices which were in place throughout the financial year ended 30 June 2014 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 long-term success of the company. The Board works with Management to achieve this objective 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 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 and compliance;

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

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

All Directors objectively discharge their duties and responsibilities at all times as fiduciaries and take decisions in the interests of the Company.

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") (collectively "Board Committees"). These Board 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 Board Committees is also constantly monitored.

The Board currently holds at least 4 scheduled meetings each year. In addition, it holds additional meetings at such other times as may be necessary to address specific significant matters that may arise. Important matters concerning the Group are also put to the Board for its decision by way of written resolutions. The Company's Articles of Association (the "Articles") has provision for Board meetings to be held via telephone or videoconference.

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 2014:

	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**
Mr. Ang Yu Seng	5	5	4	4*	2	2	2	2*
Mr. Ang Yew Chye	5	5	4	4*	2	2*	2	2*
Mr. Chan Kok Poh	5	5	4	4	2	2*	2	2
Mr. Chang Yeh Hong	5	5	4	4	2	2	2	2
Mr. Siau Kai Bing	5	5	4	4	2	2	2	2

* By invitation

The Board had adopted a set of internal guidelines setting forth matters that require Board's approval. Matters which are specifically reserved for the Board's decision are those involving significant acquisitions, disposals and financing proposals, reviewing and approving the Group's corporate policies, monitoring the performance of the Group and transactions relating to investment, financing and legal and corporate secretarial. The Management understands that these matters require approval from the Board. The Board will review these internal 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 Securities Trading 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 that are applicable to the Company or the Group.

No new Director was appointed by the Company during the financial year ended 30 June 2014. 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.

Directors are encouraged to attend seminars and receive training to improve themselves in the discharge of Directors' duties and responsibilities. Changes to regulations and accounting standards are monitored closely by the Management. To keep pace with such regulatory changes, the Company provides opportunities for ongoing education and training on Board processes and best practices as well as updates on changes in legislation and financial reporting standards, regulations and guidelines from the SGX-ST Listing Rules that affect the Company and/or the Directors in discharging their duties.

Newly appointed Directors will be briefed by the Management 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. In addition, the Management regularly updates and familiarises the Directors on the business activities of the Company during the Board meetings.

A formal letter of appointment would be furnished to every newly appointed Director upon their appointment explaining, among other matters, their roles, obligations, duties and responsibilities as member of the Board.

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 and 10% shareholders. 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:-

Name of Director	Board	Audit Committee	Nominating Committee	Remuneration Committee
Mr. Ang Yu Seng	Executive Chairman and Chief Executive Officer	–	Member	–
Mr. Ang Yew Chye	Executive Director	–	–	–
Mr. Siau Kai Bing(1)	Lead Independent Director	Chairman	Member	Member
Mr. Chang Yeh Hong	Independent Director	Member	Chairman	Member
Mr. Chan Kok Poh	Independent Director	Member	–	Chairman

(1) Mr. Siau Kai Bing was appointed as the Lead Independent Director with effect from 23rd September 2014

There is presently a strong and independent element on the Board. 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 NC had reviewed the independence of each Independent Director and is of the view that these Directors are independent.

In line with Guideline 2.4 of the Code, the NC had conducted a rigorous review on the independence of the Independent Directors, Mr. Chang Yeh Hong and Mr. Siau Kai Bing and considers that Mr. Chang Yeh Hong and Mr. Siau Kai Bing are independent even though they each have served on the Board beyond 9 years. The relevant factors that were taken into consideration in determining the independence of Mr. Chang Yeh Hong and Mr. Siau Kai Bing are set out under Principle 4 in page 18 of this Annual Report.

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.

The Independent Directors exercise no management functions in the Group. The role of the Non-Executive Directors and Independent Directors is particularly important in ensuring that the strategies proposed by Management are fully discussed and rigorously examined and reviewing the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance.

The Company co-ordinates informal meeting sessions for Independent Directors to meet on a need-basis without the presence of the Management to discuss matters such as the Group's financial performance, corporate governance initiatives, Board processes, succession planning as well as leadership development and the remuneration of the Executive Directors.

Profiles of the Board are set out in page 8 "Board of Directors" section of this Annual Report.

Chairman and Chief Executive Officer ("CEO")

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent 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.

The Board had appointed Mr. Siau Kai Bing as the Lead Independent Director to co-ordinate and to lead the Independent Directors to provide a non-executive perspective and contribute to a balance of viewpoints on the Board. He is the principal liaison on Board issues between the Independent Directors and the Executive Chairman. He is available to shareholders where they have concerns which contact through the normal channels of the Executive Chairman and CEO and Group Financial Controller has failed to resolve or is inappropriate.

The Independent Directors, led by the Lead Independent Director, meet amongst themselves without the presence of the other Directors where necessary and the Lead Independent Director will provide feedback to the Chairman after such meetings.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of 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	(Lead Independent Director)

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.

In considering whether an Independent Director who has served on the Board for 9 years is still independent, the Board has taken into consideration the following factors:

(1) The considerable amount of experience and wealth of knowledge that the Independent Director brings to the Company;

(2) The attendance and active participation in the proceedings and decision making process of the Board and Committee Meetings;

(3) Provision of continuity and stability to the new Management at the Board level as the Independent Director has developed deep insight into the business of the Company and possesses experience and knowledge of the business;

(4) The qualification and expertise provides reasonable checks and balances for the Management;

(5) The Independent Director has provided adequate attention and sufficient time has been devoted to the proceedings and business of the Company. He is adequately prepared and responsive and heavily involved in the discussions at the meeting; and

(6) The Independent Director provides overall guidance to Management and act as safeguard for the protection of Company's assets and shareholders' interests.

In this regard, the NC with the concurrence of the Board has reviewed the suitability of Mr. Chang Yeh Hong and Mr. Siau Kai Bing being Independent Directors who have served on the Board for 9 years and have determined that Mr. Chang Yeh Hong and Mr. Siau Kai Bing remains independent. Mr. Chang Yeh Hong and Mr. Siau Kai Bing abstained from voting on any resolution in respect of their own appointment. In addition, the NC is of the view that Mr. Chan Kok Poh is independent (as defined in the Code) and is able to exercise judgement on the corporate affairs of the Group independent of the Management.

Despite some of the Directors having other Board representations, the NC is satisfied that these Directors are able to and have adequately carried out their duties as Directors of the Company. Currently, the Board has not determined the maximum number of listed Board representations which any director may hold. The NC and the Board will review the requirement to determine the maximum number of listed Board representations as and when it deemed fits.

There is no alternate director being appointed to the Board for the financial year ended 30 June 2014.

The NC has recommended to the Board that Mr. Ang Yu Seng and Mr. Chang Yeh Hong, be nominating for re-election at the forthcoming AGM. The Board had accepted the NC's recommendation.

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

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 page 29 of the Annual Report.

Board Performance

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees 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. During the financial year under review, each Director was required to complete a board evaluation form adopted by the NC to assess the overall effectiveness of the Board, which will be collated by the Chairman for review or discussion. The results of the board evaluation exercise were considered by the NC which then makes recommendations to the Board aimed at helping the Board to discharge its duties more effectively. The appraisal process focused 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 performance in relation to discharging its principal responsibilities and the Directors' standards of conduct. 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 and the NC had endeavored to ensure that Directors appointed to the Board possess the relevant experience, knowledge and expertise critical to the Group's business.

Although the Directors are not evaluated individually, the factors taken into consideration with regards to the re-nomination of Directors for the financial year ended 30 June 2014 are based on their attendance and contributions made at the Board and Board Committees meetings.

Access to Information

Principle 6: In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

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 including financial, business and corporate matters of the Group timely and prior to Board meetings to enable the Directors 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 appointment and removal of the Company Secretaries are subjected to the approval of the Board.

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 a formal and transparent procedure 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	(Lead Independent Director)

The RC is established for the purpose of ensuring that there is a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. The overriding principle is that no Director should be involved in deciding his or her own remuneration. It has adopted written terms of reference that defines its membership, roles and functions and administration.

The duties of the RC are as follows:

(1) Reviewing and recommending to the Board a framework of remuneration and specific remuneration packages for all Directors of the Company;

(2) Reviewing the service contracts of Executive Directors;

(3) Reviewing and enhancing the compensation structure with incentive performance for key management personnel; and

(4) Overseeing the general 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.

In reviewing the service agreements of the Executive Directors and key management personnel of the Company, the RC will review the Company's obligations arising in the event of termination of these service agreements to ensure that such service agreements contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoid rewarding poor performance.

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than necessary for this purpose.

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's 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.

The Company had on 28 June 2005 and 11 February 2010 adopted the Union Steel Holdings Employee Share Option Scheme ("Union Steel ESOS") and Union Steel Performance Share Scheme ("Union Steel PSS") respectively subject to a maximum period of ten (10) years commencing on the adoption dates. The Executive Directors, Independent Directors and key management personnel are eligible to participate in the Union Steel ESOS and Union Steel PSS in accordance with the Rules for Union Steel ESOS and Union Steel PSS.

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 does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results or of misconduct resulting in financial loss to the Company. The Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedy against the Executive Directors in the event of such breach of fiduciary duties.

Directors' Remuneration

Principle 9: Every Company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

A breakdown showing the level and mix of remuneration paid/payable for the financial year ended 30 June 2014 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	58	31	–	11	100
S$250,000 to below S$500,000					
Mr. Ang Yew Chye	63	21	–	16	100
Below S$250,000					
Mr. Chang Yeh Hong	–	–	100	–	100
Mr. Siau Kai Bing	–	–	100	–	100
Mr. Chan Kok Poh	–	–	100	–	100

For the financial year ended 30 June 2014, the Company only identified 3 key management personnel. Details of remuneration paid to Top 3 key management personnel of the Group (who are not Directors) for the financial year ended 30 June 2014 are set out below:

Name of Key Management Personnel	Salary	Bonus	Allowances and Other Benefits	Total
	%	%	%	%
S$250,000 to below S$500,000				
Mr. Wilson Ong	50	39	11	100
Mr. Loke Kok Keong(1)	50	39	11	100
Below S$250,000				
Mr. Koh Lay Choo(2)	86	10	4	100
Mr. Chua Wei Chye Lawrence(3)	100	–	–	100
Mdm. Ang Siew Chin	67	8	25	100

(1) Resigned on 30 June 2014.
(2) Resigned on 28 February 2014.
(3) Appointed on 17 February 2014.

For the financial year ended 30 June 2014, the aggregate total remuneration paid to the key management personnel (who are not Directors or the CEO) amounted to $962,000.

There were no termination, retirement or post-employment benefits granted to Directors and key management personnel other than the standard contractual notice period termination payment in lieu of service for FY2014.

Immediate Family Member of Directors or Substantial Shareholders

Two employees of the Group, Mdm Ang Siew Chin and Mdm Ang Lay Eng, are sisters of our Executive Directors, Mr. Ang Yu Seng and Mr. Ang Yew Chye and whose remuneration exceeds S$50,000 in the financial year ended 30 June 2014. The basis for determining the compensation of our related employees is the same as the basis of determining the compensation of other unrelated employees.

Details of remuneration paid to the immediate family member of Directors or substantial shareholders for the financial year ended 30 June 2014 are set out below:

Name of Immediate Family Member	Salary	Bonus	Allowances and Other Benefits	Total
	%	%	%	%
Above S$50,000				
Mdm. Ang Siew Chin	67	8	25	100
Mdm. Ang Lay Eng	78	10	12	100

Save for the above disclosure, 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 2014 exceeded $50,000.

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 Directors and key management personnel 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.

Accountability to our shareholders is demonstrated through the presentation of our quarterly and annual financial statements, results announcements and all announcements on the Group's business and operations.

The Management provides the Board with appropriately detailed management accounts of the Company's performance, position and prospects on a quarterly basis and when deemed appropriate by particular circumstances.

In line with the SGX-ST Listing Rules, the Board provides a negative assurance statement to the shareholders in respect of the interim financial statements.

The Management maintains regular contact and communication with the Board by various means including the preparation and circulation to all Board members of quarterly and full year financial statements of the Group. This allows the Board to monitor the Group's performance and position as well as the Management's achievements of the goals and objectives determined and set by the Board.

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.

As the Group does not have a risk management committee, the Board and Management assume the responsibility of the risk management function. Management is responsible for designing, implementing and monitoring the risk management and internal control systems. Management reviews regularly the Group's business and operational activities to identify areas of significant risks as well as appropriate measures to control and mitigate these risks. Management reviews significant policies and procedures and highlights significant matters to the Board and the AC.

Relying on the reports from the internal auditors ("IA") and 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 IA and EA 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 IA and EA.

As the Group continue to grow and business environment evolving, the Board will continue to review and take appropriate steps to strengthen the Group's overall system of internal controls. The Board and the AC also noted that all internal controls contain inherent limitations and no systems of internal controls could provide absolute assurance against the occurrence of material errors, poor judgment in decision making, human error, losses, fraud or other irregularities.

The CEO and Group Financial Controller have assured the Board that:

(1) The financial records have been properly maintained and the financial statements for the financial year ended 30 June 2014; and

(2) The Group risk management and internal controls systems are operating effectively in all material aspects given its current business environment.

Based on the reports and work performed by both the EA and IA, the assurance from Management and the on-going review as well as the continuing efforts in enhancing controls and processes which currently in place, the Board, with the concurrence of the AC, is of the view that there are adequate internal controls and risk management systems in place for the Group to address financial, operational, compliance and information technology risks of the Group as at 30 June 2014.

Audit Committee

Principle 12: The Board should establish an Audit Committee ("AC") 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:-

Audit Committee

Mr. Siau Kai Bing (Chairman) (Lead Independent Director)
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 accounting or related financial management qualifications, expertise 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:

(1) monitor the integrity of the financial information provided by the Company;

(2) 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;

(3) review any formal announcements relating to the Company's financial performance;

(4) discuss problems and concerns, if any, arising from the interim and final audits, in consultation with the EA and the IA where necessary;

(5) 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;

(6) 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;

(7) review Management's and the IA's reports on the effectiveness of the systems for internal controls, financial reporting, and risk management;

(8) monitor and assess the role and effectiveness of the internal audit function in the overall context of the company's risk management system;

(9) 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;

(10) 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;

(11) assess, at the end of the audit cycle, the effectiveness of the audit process;

(12) 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

(13) 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.

Apart from the duties listed above, the AC is given the task of commissioning investigations into matters where there is suspected fraud or irregularity, or failure of internal controls or infringement of any law, rule or regulation which has or is likely to have a material impact on the Company's operating results or financial position, and to review its findings.

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 external auditors. Accordingly, the AC had evaluated the performance of the external auditors based on the key indicators of audit quality set out in the said Guidance.

The AC has full access to and the co-operation of Management and the full discretion to invite any Director or Executive Officer to attend its meetings and has reasonable resources to enable it to discharge its functions properly. The EA had unrestricted access to the AC.

The AC recommends to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the EA and approving the remuneration of the EA. The AC has recommended to the Board the nomination of RT LLP for re-appointment as EA at the forthcoming AGM of the Company. The Company confirmed that Rule 712 and Rule 715 of the Listing Manual of the SGX-ST had been complied with.

The AC will meet with the EA and the IA without the presence of the Management as and when necessary to review the adequacy of audit arrangements with emphasis on the scope and quality of their audit, the independence, objectivity and observations of the EA.

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 2014, the fees that are charged to the Group by the EA for audit services and non-audit services were approximately S$112,000 and S$5,500 respectively.

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:

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

(2) 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

(3) 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.

The AC is kept updated annually or from time to time on any changes to the accounting and financial reporting standards by the EA. No former partner or director of the Company's existing auditing firm has acted as a member of the AC.

Internal Audit

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

The Company has outsourced its internal audit functions and has appointed a professional firm, KPMG Services Pte. Ltd., as the IA. The IA reviews the effectiveness of key internal controls, including financial, operational and compliance controls and risk management systems. Procedures are in place for the IA to report independently on their findings and recommendations to the AC for review. Management will update the AC on the status of the remedial action plans.

The Board recognises that it is responsible for maintaining a system of internal control to safeguard shareholders' investments and the Company's businesses and assets while the Management is responsible for establishing and implementing the internal control procedures in a timely and appropriate manner. The role of the IA is to assist the AC in ensuring that the controls are effective and functioning as intended to undertake investigations as directed by the AC and to conduct regular in-depth audits of high risk areas. The AC is satisfied that the internal audit function has adequate resources to perform its function effectively.

The AC is satisfied that the internal audit function is staffed by suitably qualified and experienced professionals with the relevant experience.

The IA is a member of the Institute of Internal Auditors Singapore ("IIA"), which is a professional internal auditing body affiliated to the Institute of Internal Auditors, Inc.. The audit work carried out is guided by KPMG's global internal auditing standards and the International Standards for the Professional Practice of Internal Auditing (IIA Standards) laid down in the International Professional Practices Framework issued by the IIA.

The AC reviews annually the adequacy and effectiveness of the internal audit function of the Company.

(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

SHAREHOLDER RIGHTS

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights and continually review and update such governance arrangements.

The Company does not practise selective disclosure. In line with the continuous obligations of the Company under the SGX-ST Listing Manual 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 via SGXNet.

Shareholders are informed of general meetings through the announcement released to the SGXNet and notices contained in the Annual Report or circulars sent to all shareholders. These notices are also advertised in a national newspaper. All shareholders are entitled to attend the general meetings and are provided the opportunity to participate in the general meetings. 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 general meeting through proxy forms sent in advance. The Company's current Memorandum and Articles of Association does not include the nominee and custodial services to appoint more than two proxies.

COMMUNICATION WITH SHAREHOLDERS

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company believes in high standards of transparent corporate disclosure and is committed to disclose to its shareholder, the information in a timely and fair manner via SGXNet. 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:-

(1) Annual Report prepared and issued to all shareholders. The Board ensures that the annual report includes all relevant information about the Company and the Group, including future developments, if any, and other disclosures required by the Companies Act, Chapter 50 and Singapore Financial Reporting Standards;

(2) Quarterly announcements containing a summary of the financial information and affairs of the Group for that period;

(3) Press releases on major developments of the Group; and

(4) Notices of explanatory memoranda for AGMs and Extraordinary General Meetings ("EGM"). The notice of AGM and EGM are also advertised in a national newspaper.

The Company's website at "http://www.unionsteel.com.sg" at which shareholders can access financial information, corporation announcements, press releases, annual reports and profile of the Group.

By supplying shareholders with reliable and timely information, the Company is able to strengthen the relationship with its shareholders based on trust and accessibility. The Company has engaged an investor relations ("IR") firm to focus on facilitating the communications with all stakeholders, shareholders, analysts and media on a regular basis.

To enable shareholders to contact the Company easily, the contact details of the IR firm are set out in the corporate information of the Annual Report as well as on the Company's website. The IR firm have procedures in place for responding to investors' queries as soon as applicable.

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.

The Group does not have a concrete dividend policy at present. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate.

CONDUCT OF SHAREHOLDER MEETINGS

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, 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.

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.

The Chairman of the AC, NC and RC are normally present and available to address questions relating to the work of their respective Committees at general meetings. Furthermore, the EA are present to assist our Board in addressing any relevant queries by our shareholders.

The Company will make available minutes of general meetings to shareholders upon their request.

(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 2014.

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	24 October 2013	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	PSL Holdings Ltd.
Mr. Siau Kai Bing	Fellow Chartered Accountant of Singapore with the Institute of Singapore Chartered Accountants	Lead Independent Director	Board Member, Chairman of the Audit Committee and Member of the Nominating Committee and Remuneration Committee	28 June 2005	18 October 2012	QAF Limited	Advanced Holdings Limited
Mr Chan Kok Poh	Chartered Accountant of Singapore 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-designated from Non-Executive Director to Independent Director on 12 September 2008	24 October 2013	Nil	Nil

Report of the Directors

For the financial year ended 30 June 2014

The Directors are pleased to present their report to the members together with the audited consolidated financial statements of the Group for the financial year ended 30 June 2014 and the statement of financial position of the Company as at 30 June 2014 and the statement of changes in equity of the Company for the financial year then ended.

1. Directors

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

Ang Yu Seng
Ang Yew Chye
Chan Kok Poh
Chang Yeh Hong
Siau Kai Bing

2. Arrangements to enable Directors to acquire shares and debentures

Neither at the end of the financial year nor at any time during the financial year was the Company a party to any arrangement whose 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 Directors of the Company holding office at the end of the financial year had no interests in the shares, debentures and warrants of the Company or related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Chapter 50, except as follows:

	Number of ordinary shares	
The Company	**At 1 July 2013**	**At 30 June 2014**
Ang Yu Seng	137,248,408	137,248,408
Ang Yew Chye	29,576,431	32,559,431
Chan Kok Poh	240,000	240,000
Chang Yeh Hong	100,000	100,000
Siau Kai Bing	120,000	120,000

There was no change in the above-mentioned Directors' interests between the end of the financial year and 21 July 2014.

4. Directors' contractual benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit, 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 the Director has a substantial financial interest, other than as Directors' remuneration and fees as disclosed in the accompanying financial statements.

5. Share options

On 28 June 2005, the Company has adopted a share option scheme known as the Union Steel Holdings Employee Share Option Scheme (the "ESOS"), for the granting of options to reward and retain employees of the Group whose services are vital to the Group's well-being and success.

The ESOS is administered by the Remuneration Committee comprising the following Directors:-

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

Since the adoption of the ESOS, there were no options granted to any person to take up unissued shares in the Company or any corporation in the Group.

During the year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of option 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 our Group to participate in the equity of the Company so as to motivate them to dedication, loyalty and higher standards of performance, and to give recognition to employees of our Group who have contributed to the success of the Group and cultivate a culture of ownership. The Participants are not required to pay for the grant of Awards or for the shares allotted or allocated pursuant to an Award. Both the ESOS and the Scheme are intended to complement each other in the Group's continuing efforts to reward, retain and motivate participants to achieve better performance.

The Scheme is also administered by the Remuneration Committee.

Since the adoption of the Scheme, there were no shares awarded to any person under this Scheme.

7. Audit Committee

The Audit Committee comprises three Independent Non-Executive Directors. The members of the Audit Committee at the date of this report are as follows:

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

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 50. In performing those functions, the Directors met four times since the last Annual General Meeting ("AGM") and reviewed:

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

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

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

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

(e) interested person transactions, if any;

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

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

The Audit Committee has full access to and co-operation of the Management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any Director and executive officer to attend its meetings. The independent auditor has unrestricted access to the Audit Committee.

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

8. Independent auditor

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

On behalf of the Directors,

Ang Yu Seng Director	**Ang Yew Chye** Director

Singapore, 19 September 2014

Statement by Directors

For the financial year ended 30 June 2014

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 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 2014, and of the results of the business, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Directors,

Ang Yu Seng
Director

Ang Yew Chye
Director

Singapore, 19 September 2014

Independent Auditor's Report

To the Members of Union Steel Holdings Limited
For the financial year ended 30 June 2014

Report on the Financial Statements

We have audited the accompanying financial statements of Union Steel Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and of the Company as at 30 June 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group, and the statement of changes in equity of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (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 2014, 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, 19 September 2014

Consolidated Statement Of Comprehensive Income

For the financial year ended 30 June 2014

	Note	2014 $'000	2013 $'000
Revenue	5	145,603	90,967
Cost of sales		(129,854)	(76,187)
Gross profit		15,749	14,780
Other income	6	10,222	11,483
Distribution and marketing expenses		(1,712)	(1,012)
Administrative expenses		(10,542)	(8,259)
Other operating expenses	7	(6,575)	(6,555)
Finance expenses	8	(987)	(729)
Profit before income tax	9	6,155	9,708
Income tax expense	10	(1,255)	(2,050)
Net profit for the year		4,900	7,658
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Net currency translation differences of financial statements of a foreign subsidiary		(13)	–
Total comprehensive income for the year		4,887	7,658
Net profit for the year attributable to:			
Equity holders of the Company		4,495	6,299
Non-controlling interests		405	1,359
		4,900	7,658
Total comprehensive income for the year attributable to:			
Equity holders of the Company		4,482	6,299
Non-controlling interests		405	1,359
		4,887	7,658
Earnings per share for net profit attributable to equity holders of the Company (cents)			
- Basic	11(a)	1.14	1.60
- Diluted	11(b)	1.14	1.60

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

Statements of Financial Position

As at 30 June 2014

	Note	GROUP 2014 $'000	GROUP 2013 $'000	COMPANY 2014 $'000	COMPANY 2013 $'000
ASSETS					
Current assets					
Cash and cash equivalents	12	33,697	28,244	2,751	4,415
Trade and other receivables	13	23,818	16,469	11,001	5,182
Inventories	14	43,063	43,106	–	–
Total current assets		100,578	87,819	13,752	9,597
Non-current assets					
Intangible assets	15	13,282	15,107	–	–
Property, plant and equipment	16	39,686	39,001	162	183
Investments in subsidiaries	17	–	–	38,801	35,498
Investment property	18	14,500	12,000	–	–
Golf club membership	19	159	159	159	159
Financial assets, available-for-sale	20	–	–	–	–
Deferred income tax assets	21	50	50	–	–
Total non-current assets		67,677	66,317	39,122	35,840
Total assets		168,255	154,136	52,874	45,437
LIABILITIES					
Current liabilities					
Trade and other payables	22	9,342	8,464	4,828	894
Bank loans and bills payable	23	47,059	34,778	5,689	3,369
Finance lease liabilities	24	70	76	–	–
Deferred gain on sale of properties	25	–	864	–	–
Current income tax liabilities		1,043	764	5	5
Total current liabilities		57,514	44,946	10,522	4,268
Non-current liabilities					
Bank loans	23	15,694	15,456	9,549	10,631
Finance lease liabilities	24	207	168	–	–
Deferred income tax liabilities	21	4,785	4,111	27	31
Total non-current liabilities		20,686	19,735	9,576	10,662
Total liabilities		78,200	64,681	20,098	14,930
Net assets		90,055	89,455	32,776	30,507
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	26	36,603	36,603	36,603	36,603
Retained earnings / (Accumulated losses)		53,465	47,149	(3,827)	(6,096)
Translation reserve		(13)	–	–	–
		90,055	83,752	32,776	30,507
Non-controlling Interests		–	5,703	–	–
Total equity		90,055	89,455	32,776	30,507

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

	Attributable to equity holders of the Company					
	Share capital $'000	Retained earnings $'000	Currency translation reserve $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
GROUP						
2014						
Balance as at 1 July 2013	36,603	47,149	–	83,752	5,703	89,455
Total comprehensive incomefor the year	–	4,495	(13)	4,482	405	4,887
Acquisition of non-controlling interests (Note 33)	–	2,805	–	2,805	(6,108)	(3,303)
Dividends paid (Note 28)	–	(984)	–	(984)	–	(984)
Balance as at 30 June 2014	36,603	53,465	(13)	90,055	–	90,055
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 (Note 33)	–	2,432	–	2,432	(5,275)	(2,843)
Dividends paid (Note 28)	–	(984)	–	(984)	–	(984)
Balance as at 30 June 2013	36,603	47,149	–	83,752	5,703	89,455

COMPANY	Share capital $'000	Accumulated losses $'000	Total $'000
2014			
Balance as at 1 July 2013	36,603	(6,096)	30,507
Total comprehensive income for the year	–	3,253	3,253
Dividends paid (Note 28)	–	(984)	(984)
Balance as at 30 June 2014	36,603	(3,827)	32,776
2013			
Balance as at 1 July 2012	36,603	(5,254)	31,349
Total comprehensive income for the year	–	142	142
Dividends paid (Note 28)	–	(984)	(984)
Balance as at 30 June 2013	36,603	(6,096)	30,507

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

Consolidated Statement of Cash Flows

For the financial year ended 30 June 2014

	$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	6,155	9,708
Adjustments for: -		
Depreciation of property, plant and equipment	4,565	4,803
Gain on disposal of property, plant and equipment	(107)	(676)
Fair value gain on investment property	(2,500)	(2,000)
Amortisation of deferred gain on sale of properties	(864)	(2,074)
Amortisation of intangible assets	588	590
Impairment of goodwill	1,237	–
Allowance for doubtful debts	360	128
Allowance for inventory written down	237	–
Interest expense	987	729
Interest income	(62)	(27)
OPERATING CASH FLOWS BEFORE WORKING CAPITAL CHANGES	10,596	11,181
Trade and other receivables	(7,709)	(1,377)
Inventories	(3,622)	(4,493)
Trade and other payables	878	2,441
CASH GENERATED FROM OPERATIONS	143	7,752
Income tax paid	(302)	(1,005)
Interest paid	(987)	(729)
Interest received	62	27
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	(1,084)	6,045
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,778)	(6,419)
Acquisition of non-controlling interest	(3,303)	(2,843)
Proceeds from disposal of property, plant and equipment	1,205	3,194
NET CASH USED IN INVESTING ACTIVITIES	(4,876)	(6,068)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank loans	25,000	17,342
Increase in bills payable	1,530	6,367
Repayment of bank loans	(14,011)	(17,606)
Repayment of finance lease liabilities	(109)	(129)
Dividends paid	(984)	(984)
NET CASH GENERATED FROM FINANCING ACTIVITIES	11,426	4,990
Net increase in cash and cash equivalents	5,466	4,967
Cash and cash equivalents at beginning of financial year	28,244	23,277
Effect of exchange rate changes on cash and cash equivalents	(13)	–
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR (Note 12)	33,697	28,244

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of $2,920,000 (2013: $6,682,000) of which $142,000 (2013: $263,000) was acquired under finance lease. A cash payment of $2,778,000 (2013: $6,419,000) was made to purchase the 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 17 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 2014 were authorised for issue in accordance with a resolution of the directors on the date of the Statement by Directors.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

(a) Basis of accounting

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

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

(b) Revised standards and amendments to published standards effective in financial year ended 30 June 2014

On 1 July 2013, 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.

2.2 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Group accounting (Continued)

(a) Subsidiaries (Continued)

(i) Consolidation (Continued)

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

(ii) Acquisition of businesses

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

The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group.

The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

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

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

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

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Group accounting (Continued)

(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 retained earnings.

2.3 Property, plant and equipment

(a) Measurement

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

(b) Components of cost

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

(c) Depreciation

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

	Useful lives
Leasehold land and buildings	3-100 years
Air-conditioners, electrical installations and computers	5 years
Containers, renovations and warehouse	5 years
Furniture, fittings and office equipment	5 years
Plant, machinery and material handling equipment	5-10 years
Motor vehicles, trucks and cranes	5 years
Rental materials	10 years

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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Intangible assets

(a) Goodwill on acquisition

Goodwill on acquisitions of subsidiaries on or after 1 July 2009 represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired.

Goodwill on acquisition of subsidiaries prior to 1 July 2009 represents the excess of the cost of the acquisition over the fair value of the Group's share of the net identifiable assets acquired.

Goodwill on subsidiaries are recognised separately as intangible assets and carried at cost less accumulated impairment losses.

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

(b) Customer relationship

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

2.5 Investment property

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

Investment property is initially recognised at cost and subsequently carried at fair value, determined annually by independent professional valuers on comparable market transactions that consider the sales of similar properties that have been transacted in the open market. Changes in fair values are recognised in profit or loss.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial assets (Continued)

(a) Classification (Continued)

(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 of the assets within 12 months after the end of the reporting period.

(b) Recognition and derecognition

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

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

(c) Initial and subsequent measurement

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

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

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

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

(i) Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

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

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

(ii) Financial assets, available-for-sale

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial assets (Continued)

(c) Initial and subsequent measurement (Continued)

(ii) Financial assets, available-for-sale (Continued)

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 of disposal 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 (including customer relationship) are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Club membership

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

2.9 Inventories

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

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

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

2.10 Financial liabilities

Financial liabilities include trade payables, other payables, finance lease liabilities and bank loans and bills payable. Financial liabilities are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are initially recognised at fair value of the consideration received less directly attributable transaction cost and subsequently measured at amortised cost using the effective interest method.

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

Bank loans and bills payable are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

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

2.11 Provisions

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

2.12 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.

2.13 Financial guarantees

The Company has issued corporate guarantees to financial institutions for borrowings of its subsidiaries. These guarantees are financial guarantee contracts as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantees are initially recognised at their fair values plus transaction costs in the Company's statement of financial position.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Financial guarantees (Continued)

Financial guarantees are subsequently amortised to profit or loss over the period of the subsidiaries' borrowings, unless it is probable that the Company will reimburse the financial institutions for an amount higher than the unamortised amount. In this case, the financial guarantee shall be carried at the expected amount payable to the financial institutions in the Company's statement of financial position. Intra-group transactions are eliminated on consolidation.

2.14 Share capital

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

2.15 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.

2.16 Currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transaction and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the end of the reporting period are recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Currency translation (Continued)

(c) Translation of Group entities' financial statements

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

Assets and liabilities are translated at the closing exchange rates at the end of the reporting period;

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

All resulting currency translation differences are recognised in the currency translation reserve.

2.17 Revenue recognition

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

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

(a) Sale of goods

Revenue from the sale of goods is recognised when the Group has delivered the products to the customer and the customer has accepted the products.

(b) Service income

Service income is recognised when the services are rendered to customers.

(c) Rental income

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

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

(d) Interest income

Interest income is recognised using the effective interest method.

2.18 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)

2.19 Leases

(a) When the Group is the lessee

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

(i) Lessee – Finance leases

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

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

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

(ii) Lessee – Operating leases

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

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

(b) When the Group is the lessor

The Group leases investment property, leasehold land and buildings, warehouse, office premises and plant and machinery under operating leases to non-related parties.

Lessor – Operating leases

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

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

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

2.20 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Employee compensation (Continued)

(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.

2.21 Segment reporting

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

2.22 Dividends to Company's shareholders

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

2.23 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.

2.24 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.

2.25 Investment in subsidiaries

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

2.26 Government grants

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

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

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

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

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

Management reviews its financial assets, available-for-sale, comprising quoted equity shares in Indonesia for objective evidence of impairment at least quarterly. Significant or prolonged decline in the fair value of the equity shares below its cost and the disappearance of an active trading market for the equity shares are considered objective evidence that a financial asset is impaired. In determining this, management evaluated, among other factors, the duration and extent to which the fair value of a financial asset is less than its cost, the financial health of and the near-term business outlook of the issuer of the instrument including factors such as industry and sector performance. The quoted equity shares in Indonesia had been fully impaired since the financial year ended 30 June 2011.

(ii) Impairment of goodwill

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired. The recoverable amount of the asset and the cash-generating unit has been determined based on whichever is higher between the value-in-use calculations and fair value less cost of disposal. These calculations require the use of estimates (Note 15(a)). Based on the impairment test performed, management is of the view that an impairment charge of $1,237,000 is required for the financial year ended 30 June 2014 (2013: Nil).

(iii) Impairment of subsidiaries

The Group reviews the investment in subsidiaries at the end of each reporting period to determine whether there is any indication of impairment. An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value-in-use. Based on management's assessment, there are no indication of impairment as at the end of the reporting period.

(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 an impairment loss of inventories of $237,000 is required for the financial year ended 30 June 2014 (2013: Nil). The carrying amount of inventories as at 30 June 2014 is $43,063,000 (2013: $43,106,000).

(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 $39,686,000 (2013: $39,001,000).

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

(b) Critical accounting estimates and assumptions (Continued)

(iii) Impairment of trade receivables

The allowance for impairment of trade receivables is based on ongoing evaluation of recoverability and ageing analysis of the outstanding receivables and on management's estimate of the ultimate realisation of these receivables, including creditworthiness and the past collection history of each customer. Management is of the view that the allowance of $562,000 (2013: $202,000) is adequate and the carrying amount of trade receivables of $20,443,000 (2013: $13,754,000) 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.

(iv) Estimation of useful life of customer relationship

The cost of customer relationship is amortised on straight-line basis over its estimated useful life. Management estimates the useful life of this customer relationship to be 5 years. The carrying amount of customer relationship affected by the assumption is $1,679,000 (2013: $2,267,000).

(v) Revenue recognition for scaffolding operations

The revenue for scaffolding projects is recognised based on the estimated man-hours incurred on the project on a straight line basis. The management estimates that man-hours approximating 80% of a project is spent at planning, erecting, monitoring and inspection while the remaining 20% of man-hours of the project is spent at dismantling and storage.

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	
	2014	**2013**
	$'000	**$'000**
Management fees received from subsidiaries	2,880	2,880
Dividend received from subsidiaries	3,000	–
Interest income	21	62

4. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management personnel compensation:

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Directors of the Company				
- remuneration	1,084	1,236	1,084	1,236
- fees	107	107	107	107
- contributions to Central Provident Fund	15	26	15	26
Directors of a subsidiary				
- remuneration	665	770	–	–
- contributions to Central Provident Fund	24	24	–	–
Other key management personnel				
- salaries and bonus	391	387	391	387
- contributions to Central Provident Fund	34	31	34	31
	2,320	2,581	1,631	1,787

5. REVENUE

	Group	
	2014 $'000	2013 $'000
Sale of goods	127,269	70,992
Rental income from rental materials and machineries	6,260	5,801
Service income	12,074	14,174
	145,603	90,967

6. OTHER INCOME

	Group 2014 $'000	Group 2013 $'000
Gain on disposal of property, plant and equipment	107	676
Rental of leasehold land and buildings, warehouses and office premises	3,958	4,370
Rental of investment property (Note 18)	1,415	1,342
Rental of plant and machinery	–	150
Amortisation of deferred gain on sale of properties (Note 25)	864	2,074
Transportation income	420	491
Storage income	56	56
Interest income	62	27
Surcharge income	336	–
Bad debt recovered	–	37
Fair value gain on investment property (Note 18)	2,500	2,000
Foreign exchange gain	109	–
Government grant	171	–
Others	224	260
	10,222	11,483

7. OTHER OPERATING EXPENSES

	Group 2014 $'000	Group 2013 $'000
Rental of leasehold land and buildings, office premises, warehouse and yard	4,115	5,308
Foreign exchange loss	38	357
Amortisation of intangible assets (Note 15(b))	588	590
Impairment of trade receivables (Note 13)	360	128
Bad debts written off	–	114
Property, plant and equipment written off	–	58
Impairment of inventories (Note 14)	237	–
Impairment of goodwill of a subsidiary (Note 15(a))	1,237	–
	6,575	6,555

8. FINANCE EXPENSES

	Group 2014 $'000	Group 2013 $'000
Interest expense		
- Trust receipts	197	143
- Bank loans	779	577
- Finance lease liabilities	11	9
	987	729

9. PROFIT BEFORE INCOME TAX

	Group	
	2014	2013
	$'000	$'000
This is determined after charging:		
Depreciation of property, plant and equipment (Note 16)	4,565	4,803
Professional fee expense	1,748	140
Key management personnel compensation (Note 4)	2,320	2,581

10. INCOME TAX EXPENSE

	Group	
	2014	2013
	$'000	$'000
Current income tax		
- Current year	532	740
- Under provision in prior year	49	121
	581	861
Deferred income tax		
- Current year (Note 21)	650	818
- Under provision in prior year (Note 21)	24	371
	674	1,189
	1,255	2,050

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

	Group	
	2014	2013
	$'000	$'000
Profit before income tax	6,155	9,708
Tax calculated at statutory tax rate of 17% (2013: 17%)	1,046	1,650
Income not subject to tax	(190)	(800)
Expenses not deductible for tax purposes	132	612
Tax saving on partial exempt income	(89)	(72)
Under provision of current income tax in prior year	49	121
Under provision of deferred income tax in prior year	24	371
Corporate tax rebate	(46)	–
Effect of different tax rate	(154)	–
Utilisation of unutilised capital allowance not previously recognised	(1,437)	(47)
Utilisation of unabsorbed tax losses	(414)	–
Tax incentives	(55)	(183)
Deferred tax assets not recognised	2,385	194
Others	4	204
	1,255	2,050

The Group has unabsorbed tax losses and unutilised capital allowances of approximately $17,994,000 (2013: $15,758,000). 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 for the financial years ended 30 June 2014 and 30 June 2013.

The use of these potential tax benefits is subject to the agreement of the relevant tax authority.

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 2014	Group 2013
Net profit for the year attributable to equity holders of the Company ($'000)	4,495	6,299
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	393,781	393,781
Basic earnings per share (cents)	1.14	1.60

(b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all the dilutive potential ordinary shares. The Company has no warrants as dilutive potential ordinary shares.

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

	Group 2014	Group 2013
Net profit for the year attributable to equity holders of the Company ($'000)	4,495	6,299
Weighted average number of ordinary shares outstanding for diluted earnings per share ('000)	393,781	393,781
Diluted earnings per share (cents)	1.14	1.60

12. CASH AND CASH EQUIVALENTS

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Cash and bank balances	28,927	24,963	1,731	3,397
Short-term bank deposits	4,770	3,281	1,020	1,018
	33,697	28,244	2,751	4,415

13. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Trade receivables				
- Related parties	–	–	–	836
- Non-related parties	21,005	13,956	–	–
Less: allowance for impairment of receivables				
- Non-related parties	(562)	(202)	–	–
Trade receivables - net	20,443	13,754	–	836
Loan receivable from subsidiary	–	–	1,575	4,322
Prepayments	1,146	655	72	24
Other receivables				
- Related parties	–	–	9,354	–
- Non-related parties	2,229	2,060	–	–
	23,818	16,469	11,001	5,182

The loan receivable from subsidiary is unsecured and is repayable on demand. The loan amounting to $1,575,000 (2013: $2,761,000) bears interest at 2.3% per annum (2013: 2.3% per annum). Other receivables from related parties are unsecured, interest free and repayable on demand.

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

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Beginning of financial year	202	74	–	–
Current year charge (Note 7)	360	128	–	–
End of financial year	562	202	–	–

The average credit period taken to settle the trade receivables is about 30 days (2013: 30 days). No interest is charged on outstanding balances.

Trade receivables that are individually determined to be impaired as at 30 June 2014 and 30 June 2013 relate to receivables that are in financial difficulties and have defaulted in payments.

14. INVENTORIES

	Group	
	2014	2013
	$'000	$'000
Trading inventories	46,491	40,760
Inventories-in-transit	–	2,104
	46,491	42,864
Less: Transfer (to)/from property, plant and equipment (Note 16)	(3,428)	242
	43,063	43,106

There was an allowance for impairment in value of inventories of $237,000 (2013: Nil) at the end of the reporting period.

The cost of inventories recognised as expense and included in cost of sales amounted to $114,968,000 (2013: $63,341,000).

15. INTANGIBLE ASSETS

	Group	
	2014	2013
	$'000	$'000
Goodwill arising from acquisition of subsidiaries (a)	11,603	12,840
Customer relationship (b)	1,679	2,267
	13,282	15,107

(a) Goodwill arising from acquisition of subsidiaries

	Group	
	2014	2013
	$'000	$'000
Beginning of financial year	12,840	12,840
Impairment of goodwill (Note 7)	(1,237)	–
End of financial year	11,603	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 CGUs are identified to be the subsidiaries of the Company namely, Hock Ann Metal Scaffolding Pte Ltd ("Hock Ann") and Lim Asia Steel Pte Ltd ("Lim Asia").

The recoverable amount of each 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 5-year period for Hock Ann and financial budget based on the projected remaining rental period for Lim Asia of 14 years. The Group has used cash flow projection of more than 5 years for Lim Asia as it is reasonably confident that the lessees will renew their tenancy contracts upon expiry. Cash flows beyond the above periods were extrapolated using the estimated growth rates of 0% (2013: 0%) for Hock Ann.

The rates used to discount the forecasted cash flows are 18% and 5% respectively for Hock Ann and Lim Asia (2013: 18% and 6%) per annum based on the weighted average cost of capital of the respective CGU. The annual growth rate for revenue forecast are 5% and 0% respectively for Hock Ann and Lim Asia (2013: 5% and 0%).

Based on the impairment test of Lim Asia Steel Pte Ltd, the estimated recoverable amount of the CGU is $7,371,000, while the carrying amount (Goodwill + Net Asset) of the CGU is $8,608,000. Hence, an impairment of $1,237,000 is charged against the goodwill and included within other operating expenses in the statement of comprehensive income. Although the Net Asset of the CGU has increased due to the upward valuation of the investment properties held, the recoverable amount of the CGU remains lower than the carrying amount (Goodwill + Net Asset) of the CGU.

For Hock Ann, if the assessed annual growth rate for revenue forecast had declined to 4.9%, with all other key assumptions remaining the same, the recoverable amount of the CGU would fall to its carrying amount.

15. INTANGIBLE ASSETS (CONTINUED)

(b) Customer relationship

	Group 2014 $'000	Group 2013 $'000
Cost:		
Beginning and end of financial year	2,945	2,945
Accumulated amortisation:		
Beginning of financial year	678	88
Amortisation charge (Note 7)	588	590
End of financial year	1,266	678
Carrying amount	1,679	2,267

16. PROPERTY, PLANT AND EQUIPMENT

GROUP	Leasehold land and buildings $'000	Air-conditioners, electrical installations and computers $'000	Containers, Renovations and warehouse $'000	Furniture, fittings and office equipment $'000	machinery and material handling equipment $'000	Motor vehicles, trucks and cranes $'000	Rental materials $'000	Total $'000
Cost								
As at 1 July 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
Additions	–	99	243	15	2,406	157	–	2,920
Disposal/Written off	–	–	–	–	(1,299)	(79)	(1,370)	(2,748)
Reclassified from inventories (Note 14)	–	–	–	–	–	–	3,428	3,428
As at 30 June 2014	10,712	664	2,239	578	22,080	3,038	29,422	68,733
Accumulated depreciation								
As at 1 July 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 to inventories (Note 14)	–	–	–	–	(147)	–	–	(147)
As at 30 June 2013	4,138	340	1,844	410	14,813	2,480	2,107	26,132
Depreciation charge	566	70	100	54	2,281	185	1,309	4,565
Disposal	–	–	–	–	(1,417)	(79)	(154)	(1,650)
As at 30 June 2014	4,704	410	1,944	464	15,677	2,586	3,262	29,047
Carrying amount								
As at 30 June 2014	6,008	254	295	114	6,403	452	26,160	39,686
As at 30 June 2013	6,574	225	152	153	6,160	480	25,257	39,001

16. 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 2012	–	77	77
Additions	4	127	131
As at 30 June 2013	4	204	208
Additions	–	20	20
As at 30 June 2014	4	224	228
Accumulated depreciation			
As at 1 July 2012	–	1	1
Depreciation charge	1	23	24
As at 30 June 2013	1	24	25
Depreciation charge	1	40	41
As at 30 June 2014	2	64	66
Carrying amount			
As at 30 June 2014	2	160	162
As at 30 June 2013	3	180	183

As at 30 June 2014, the Group had property, plant and equipment with carrying amount of $284,000 (2013: $308,000) acquired under finance lease liabilities.

Particulars of the properties held by the Group as at 30 June 2014 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

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 $6,008,000 (2013: $6,574,000).

17. INVESTMENTS IN SUBSIDIARIES

	Company 2014 $'000	Company 2013 $'000
Unquoted equity shares, at cost		
Beginning of financial year	35,498	32,655
Additions	3,303	2,843
End of financial year	38,801	35,498

Name of companies	Principal activities	Country of incorporation/ place of business	Percentage of equity held 2014 %	Percentage of equity held 2013 %
Held by the Company				
Union Steel Pte.Ltd[(1)]	Recycling of non-ferrous metal and trading of stainless steel	Singapore	100	100
YLS Steel Pte Ltd[(1)]	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[(1)]	Demolition of buildings and trading of ferrous and non-ferrous scrap metals	Singapore	100	100
Lim Asia Steel Pte Ltd[(1)]	Holding investment property	Singapore	100	100
Hock Ann Metal Scaffolding Pte Ltd[(1) (3)]	Metal scaffolding services	Singapore	100	80
Held by subsidiaries				
Hock Ann Marine Scaffolding Pte Ltd[(1)]	Investment holding (Dormant)	Singapore	100	100
Union CHH Sdn Bhd[(2)]	Recycling and trading of scrap metals	Malaysia	100	–

(1) Audited by RT LLP, Singapore.

(2) Audited by Peter Chong & Co., Malaysia.

(3) During the financial year ended 30 June 2014, the Company acquired the remaining 20% equity interest in Hock Ann Metal Scaffolding Pte Ltd. (Note 33)

18 INVESTMENT PROPERTY

	Group 2014 $'000	Group 2013 $'000
Beginning of financial year	12,000	10,000
Fair value gain recognised in profit or loss (Note 6)	2,500	2,000
End of financial year	14,500	12,000

18. INVESTMENT PROPERTY (CONTINUED)

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

Investment property is leased to non-related parties under operating leases (Note 29(b)).

Investment property is mortgaged to secure bank loans (Note 23(ii) and (iii)).

The following amounts are recognised in profit or loss:

	Group	
	2014	**2013**
	$'000	**$'000**
Rental income (Note 6)	1,415	1,342
Direct operating expenses arising from investment property that generated rental income	(1)	(2)
Property tax and other direct operating expenses arising from investment property that did not generate rental income	(463)	(362)

Particulars of the investment property held by the Group as at 30 June 2014 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

19. GOLF CLUB MEMBERSHIP

	Group and Company	
	2014	**2013**
	$'000	**$'000**
At cost	159	159
Market value	192	215

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

20. FINANCIAL ASSETS, AVAILABLE-FOR-SALE

	Group and Company	
	2014	**2013**
	$'000	**$'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.

21. DEFERRED INCOME TAX

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

	Group		Company	
	2014	2013	2014	2013
	$'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	4,785	4,111	27	31

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

<u>Deferred income tax liabilities</u>

	Group	
	2014	2013
	$'000	$'000
Beginning of financial year	4,111	2,922
Charged to profit or loss (Note 10)	674	1,189
End of financial year	4,785	4,111

Deferred income tax liabilities is mainly attributable to the tax effect of the excess of the carrying amount over tax written down values of qualifying property, plant and equipment.

<u>Deferred income tax assets</u>

	Group	
	2014	2013
	$'000	$'000
Beginning and end of financial year	(50)	(50)

Deferred income tax assets are recognised for tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable.

22. TRADE AND OTHER PAYABLES

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Trade payables - non-related parties	3,589	4,431	35	–
Rental deposits	1,157	1,345	–	–
Advances from customers	192	140	–	–
Accruals for operating expenses	2,418	1,649	251	299
Accruals for directors' fees	120	75	120	75
Accruals for directors' profit sharing	472	408	238	408
Other payables - related parties	–	–	4,184	–
Other payables - non-related parties	1,394	416	–	112
	9,342	8,464	4,828	894

The average credit period taken to settle the trade payables is about 30 days (2013: 30 days). No interest is charged on outstanding balances. Other payables to related parties are unsecured, interest free and repayable on demand.

23. BANK LOANS AND BILLS PAYABLE

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Current				
Bank loan I - secured	136	265	–	–
Bank loan II - secured	504	486	–	–
Bank loan III - secured	244	235	–	–
Bank loan IV - unsecured	113	1,284	–	–
Bank loan V - secured	52	48	–	–
Bank loan VI - unsecured	2,789	2,789	2,789	2,789
Bank loan VII - unsecured	580	580	580	580
Bank loan VIII - unsecured	820	–	820	–
Bank loan IX - secured	700	–	–	–
Short-term bank loans - unsecured	25,000	14,500	1,500	–
Bills payable to banks - unsecured	16,121	14,591	–	–
	47,059	34,778	5,689	3,369
Non-current				
Bank loan I - secured	–	140	–	–
Bank loan II - secured	2,100	2,618	–	–
Bank loan III - secured	1,015	1,268	–	–
Bank loan IV - unsecured	–	113	–	–
Bank loan V - secured	635	686	–	–
Bank loan VI - unsecured	5,579	8,368	5,579	8,368
Bank loan VII - unsecured	1,694	2,263	1,694	2,263
Bank loan VIII - unsecured	2,276	–	2,276	–
Bank loan IX - unsecured	2,395	–	–	–
	15,694	15,456	9,549	10,631
Total	62,753	50,234	15,238	14,000

23. BANK LOANS AND BILLS PAYABLE (CONTINUED)

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

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
12 months or less	47,059	34,778	5,689	3,369
1 - 5 years	15,265	14,379	9,549	10,631
Over 5 years	429	1,077	–	–
	62,753	50,234	15,238	14,000

(i) Bank loan I

A loan of $2,400,000 commenced in 2004, have been revised to be repayable by monthly instalments of $22,982. The interest rate is fixed at 2.7% up to 28 March 2011 and at 2.1% below the Prime Lending Rate up to 28 March 2012 and at 1.22% below the Prime Lending Rate thereafter until its maturity on 1 January 2015. The bank loan is secured by the Group's leasehold land and building as disclosed in Note 16.

(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 of 1.6% per annum for the first year, 1.8% for the second year and 2% below Non Residential Mortgage Board Rate for the third year and thereafter. 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 18 and corporate guarantee of the Company.

(iii) Bank loan III

A loan of $1,963,954 commenced in 2011 has been revised to be repayable by monthly instalments of $21,828. The loan bears interest of 1.55% per annum for the first year, 1.85% for the second year, 1.65% below Non Residential Mortgage Board Rate for the third year, and 1% below Non Residential Mortgage Board Rate or other determined rate thereafter. This loan is secured by the Group's investment property as disclosed in Note 18 and corporate guarantee of the Company.

(iv) Bank loan IV

In 2011, a subsidiary obtained a loan amounting to $4,500,000. The loan is repayable over 3.5 years by monthly instalments of $107,000. The loan bears interest at 2% plus cost of fund per annum. This loan is secured by corporate guarantee of the Company.

(v) Bank loan V

During the financial year, a subsidiary obtained this bank loan, which is repayable for 13 years commencing from September 2013. The monthly indicative full instalment amount is S$5,111 and S$5,219 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$5,578. The rates of interest for this bank loan are fixed at 1.35% above 3M SIBOR and 1.68% for the first and second year, respectively. Thereafter, the interest rate charge is at 2.75% above 3M SIBOR. This bank loan is secured by a legal mortgage of the subsidiary's leasehold property (as disclosed in Note 16) and corporate guarantee of the Company.

23. BANK LOANS AND BILLS PAYABLE (CONTINUED)

(vi) Bank loan VI

In 2012, the Company obtained a loan amounting to $13,947,084. The loan is repayable over 20 fixed quarterly instalments of $697,354. The loan bears interest of 1.25% 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 of the Company.

(vii) Bank loan VII

In 2013, the Company obtained a loan amounting to $2,842,385. The loan is repayable over 20 fixed quarterly instalments of $145,000. The loan bears interest of 1.25% 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 of the Company.

(viii) Bank loan VIII

During the financial year, the Company obtained a loan amounting to $3,303,875. The loan is repayable over 16 fixed quarterly instalments of $206,492. The loan bears interest of 1.25% 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.

(ix) Bank loan IX

During the financial year, a subsidiary obtained a $3,500,000 bank loan. The loan is repayable over 5 years by monthly instalments of $58,334. The loan bears interest of 1.5% per annum over the bank's cost of funds. This loan is secured by the Group's investment property as disclosed in Note 18 and corporate guarantee of the Company.

(x) Short-term bank loans and bills payable

Short term bank loans and bills payable granted to the Group are secured by the corporate guarantee of the Company.

Fair value of non-current borrowings

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Bank borrowings	15,694	15,456	9,549	10,631

The carrying amount of above bank borrowings approximate their fair values as they are floating rate financial liabilities.

24. FINANCE LEASE LIABILITIES

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Minimum lease payments payable:				
Within one year	70	76	70	76
Within two to five years	229	186	207	168
	299	262	277	244
Finance charges allocated to future periods	(22)	(18)	–	–
	277	244	277	244
Less: Repayable within one year included under current liabilities			(70)	(76)
Repayable after one year			207	168

The effective interest rate in financial year 2014 ranges from 2.75% to 5.4% (2013: 2.57% to 5.4%) per annum for the Group.

It is the Group's policy to lease certain property, plant and equipment under finance lease. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. All lease obligations are denominated in Singapore Dollar. The obligations under finance lease are secured by the lessor's charge over the leased assets and corporate guarantees of the Company. The fair values of the lease obligations approximate their carrying amounts.

25. DEFERRED GAIN ON SALE OF PROPERTIES

Deferred gain on sale of properties amounting 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	
	2014	2013
	$'000	$'000
Beginning of financial year	864	2,938
Credited to profit or loss (Note 6)	(864)	(2,074)
End of financial year	–	864
Less: Classified under current liabilities	–	(864)
Non-current liabilities	–	–

26. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		Amount Share capital	
	2014	2013	2014	2013
	'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 the ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

27. EMPLOYEE COMPENSATION

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Wages, salaries and bonus	7,007	6,235	1,743	1,932
Employer's contributions to Central Provident Fund	522	423	58	75
Other staff related expenses	945	802	53	103
	8,474	7,460	1,854	2,110

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

28. DIVIDENDS

	Group	
	2014	2013
	$'000	$'000
Final dividends paid in respect of the previous financial year of 0.25 cents (2013: 0.25 cents) per share	984	984

In respect of the current 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 for the financial year ended 30 June 2014 and has not been included as a liability in these financial statements. The total estimated dividend to be paid is $984,000. The dividend will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 30 June 2015, if approved at the Annual General Meeting for the financial year ended 30 June 2014.

29. 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	
	2014	**2013**
	$'000	**$'000**
Not later than one year	2,442	3,151
Later than one year and not later than five years	8,054	5,209
Later than five years	8,271	9,143
	18,767	17,503

The rental expense for the financial year amounted to $4,115,000 (2013: $5,308,000).

(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	
	2014	**2013**
	$'000	**$'000**
Not later than one year	4,188	2,802
Later than one year and not later than five years	3,542	786
	7,730	3,588

The rental income for the financial year amounted to $5,373,000 (2013: $5,862,000). The leases have terms from 1 year to 3 years (2013: 1 year to 3 years).

30. GUARANTEES

	Group	
	2014	2013
	$'000	$'000
Bankers' guarantee	3,532	3,379

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

Corporate guarantees of $140,060,000 (2013: $105,400,000) 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.

31. SEGMENT INFORMATION

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

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

- Recycling sales - engages in import and export of scrap iron and steel, ferrous and non-ferrous metals.
- Trading sales - engages in sale of steel and stainless steel products.
- Scaffolding services – engages in provision of scaffolding services and related consultancy services.
- Other business - includes income from rental of materials, provision of services in relation to waste management services and demolition.

Allocation basis and transfer pricing

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

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

31. SEGMENT INFORMATION (CONTINUED)

31.1 Business segments

	Recycling		Trading		Scaffolding Services		Others		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Segment revenue										
Sales to external customers	88,631	39,171	38,638	31,817	10,668	13,078	7,666	6,901	145,603	90,967
Segment result	271	2,062	41	(57)	4,078	4,783	1,226	1,620	5,616	8,408
Other income									8,806	11,483
Unallocated expenses										
- Employee compensation									(1,794)	(1,709)
- Depreciation									(42)	(75)
- Impairment of goodwill									(1,237)	–
- Foreign exchange loss									(38)	(357)
- Land rent and rental expenses									(4,115)	(3,596)
- Others									(54)	(3,717)
Profit from operations									7,142	10,437
Finance expenses									(987)	(729)
Profit before income tax									6,155	9,708
Income tax expense									(1,255)	(2,050)
Profit after income tax									4,900	7,658
Non-controlling interest									(405)	(1,359)
Profit attritbutable to shareholders									4,495	6,299
Other information:										
Depreciation	802	1,927	860	1,221	1,388	1,293	1,515	362	4,565	4,803
Capital expenditure	1,337	2,933	37	1,299	2,026	1,779	2,948	671	6,348	6,682
ASSETS										
Segment assets	59,339	25,595	33,133	49,962	15,700	16,191	44,043	41,505	152,215	133,253
Unallocated assets										
- Cash and cash equivalents									2,751	4,415
- Goodwill									11,603	12,840
- Intangible assets									1,679	2,267
- Others									7	1,361
Total assets									168,255	154,136
LIABILITIES										
Segment liabilities	26,588	20,617	22,887	19,584	2,654	3,436	7,697	6,010	59,826	49,647
Unallocated liabilities										
- Trade and other payables									643	902
- Bank loans and bills payable									15,239	14,000
- Others									2,492	132
Total liabilities									78,200	64,681

31. SEGMENT INFORMATION (CONTINUED)

31.2 Geographical segments

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

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

	2014			2013		
	Segment revenue $'000	Carrying amount of segment assets $'000	Capital expenditure $'000	Segment revenue $'000	Carrying amount of segment assets $'000	Capital expenditure $'000
Singapore	85,192	156,089	5,623	64,975	133,253	6,682
Malaysia	35,304	12,166	11	9,199	–	–
Indonesia	10,353	–	–	2,651	–	–
Korea	6,052	–	–	1,369	–	–
China (inclusive of Hong Kong)	5,386	–	–	1,785	–	–
India	1,938	–	–	5,510	–	–
Taiwan	439	–	–	732	–	–
Thailand	386	–	–	–	–	–
Bangladesh	372	–	–	1,323	–	–
Japan	181	–	–	114	–	–
Others *	–	–	–	3,309	–	–
	145,603	168,255	5,634	90,967	133,253	6,682

* Includes Brazil, Egypt, Netherlands, Nepal, New Zealand, Turkey, UAE, Vietnam and the USA.

Information about major customers

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

32. 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.

(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") and Malaysian Ringgit ("MYR").

Currency risk arises when transactions are denominated in foreign currencies. The Group manages currency risk through natural hedging wherein substantial portion of their sales and purchases transactions were denominated in the same foreign currency.

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

(a) Market risk (Continued)

(i) Currency risk (Continued)

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

	SGD $'000	MYR $'000	USD $'000	Total $'000
At 30 June 2014				
Financial assets				
Cash and cash equivalents	20,019	2,297	11,381	33,697
Trade and other receivables (except prepayment)	19,533	3,139	–	22,672
	39,552	5,436	11,381	56,369
Financial liabilities				
Trade and other payables	9,049	293	–	9,342
Bank loans and bills payable	47,637	–	15,116	62,753
Finance lease liabilities	277	–	–	277
	56,963	293	15,116	72,372
Net financial (liabilities)/assets	(17,411)	5,143	(3,735)	(16,003)
Less: Net financial (liabilities)/assets denominated in the respective entities' functional currency	17,411	(5,143)	–	12,268
Currency exposure	–	–	(3,735)	(3,735)

	SGD $'000	MYR $'000	USD $'000	Total $'000
At 30 June 2013				
Financial assets				
Cash and cash equivalents	23,127	–	5,117	28,244
Trade and other receivables (except prepayment)	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

32. **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 $'000	USD $'000	Total $'000
At 30 June 2014			
Financial assets			
Cash and cash equivalents	2,717	34	2,751
Trade and other receivables (except prepayment)	10,929	–	10,929
	13,646	34	13,680
Financial liabilities			
Trade and other payables	4,828	–	4,828
Bank loans and bills payable	15,238	–	15,238
	20,066	–	20,066
Net financial (liabilities)/assets	(6,420)	34	(6,386)
Less: Net financial liabilities denominated in the functional currency of the Company	6,420	–	6,420
Currency exposure	–	34	34
At 30 June 2013			
Financial assets			
Cash and cash equivalents	4,380	35	4,415
Trade and other receivables (except prepayment)	5,158	–	5,158
	9,538	35	9,573
Financial liabilities			
Trade and other payables	894	–	894
Bank loans and bill 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

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

(i) Currency risk (Continued)

If the USD changes against the SGD by 2% (2013: 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 2014 $'000	Increase/ (Decrease) Profit after tax 2013 $'000
Group		
USD against SGD		
- Strengthened	(75)	197
- Weakened	75	(197)
Company		
USD against SGD		
- Strengthened	1	2
- Weakened	(1)	(2)

(ii) Price risk

The Group is exposed to equity securities price risk because of the investments held by the Group which are classified on the consolidated statement of financial position as financial assets, available-for-sale. These securities are listed in Indonesia. The Group monitors the fluctuation of the prices of these securities on a regular basis.

(iii) Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group is exposed to cash flow interest rate risk through the impact of interest rates changes on interest-bearing assets and liabilities. Interest-bearing financial assets and liabilities are mainly pledged bank borrowings, finance lease liabilities and short-term deposits. These interest-bearing assets and liabilities are long and short term, hence the Group's policy is to manage its interest cost using a combination of fixed and variable interest rate borrowings, where applicable.

The Group and the Company have cash balances placed with creditworthy financial institutions. The Group and the Company also manage its interest rate risks on its interest income by placing the cash balances in varying maturities and interest rate terms.

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

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

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

Group	Variable rates			Fixed rates			
	Less than 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Less than 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
At 30 June 2014							
Assets							
Cash and cash equivalents	4,770	–	–	–	–	–	4,770
Liabilities							
Finance lease liabilities	–	–	–	70	207	–	277
Bank loans and bills payable	47,059	15,265	429	–	–	–	62,753

	Variable rates			Fixed rates			
	Less than 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Less than 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
At 30 June 2013							
Assets							
Cash and cash equivalents	3,281	–	–	–	–	–	3,281
Liabilities							
Finance lease Liabilities	–	–	–	76	168	–	244
Bank loans and Bills payable	34,778	14,379	1,077	–	–	–	50,234

32. 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 2014						
Assets						
Cash and cash equivalents	1,020	–	–	–	–	1,020
Loan to subsidiary	–	–	1,575	–	–	1,575
Liabilities						
Bank loans and bills payable	5,689	9,549	–	–	–	15,238
At 30 June 2013						
Assets						
Cash and cash equivalents	1,018	–	–	–	–	1,018
Loan to subsidiary	–	–	2,761	–	–	2,761
Liabilities						
Bank loans and bills payable	3,369	10,631	–	–	–	14,000

The Group's and the Company's bank loans and bill payables 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 is the risk that companies and other parties would be unable to meet their obligations to the Group resulting in financial loss to the Group. The Group manages such risk by dealing with a diversity of credit-worthy counterparties to mitigate any significant concentration of credit risk. Credit policy includes assessing and evaluation of existing and new customers' credit reliability and monitoring of receivable collections. The Group places its cash and cash equivalents with credit-worthy institutions.

There are no trade receivables of the Group that individually represented 10% or more of trade receivables as at 30 June 2014 and 30 June 2013.

(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 $6,742,000 (2013: $5,838,000).

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

(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	
	2014	**2013**
	$'000	**$'000**
Past due 0 to 3 months	11,343	7,073
Past due 4 to 6 months	1,792	798
Past due exceeding 6 months	566	8
	13,701	7,879

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

	Group	
	2014	**2013**
	$'000	**$'000**
Gross amount	562	239
Less: Allowance for impairment	(562)	(202)
	–	37

(c) Liquidity risk

The table below analyses the financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period from the end of the reporting period to the contractual maturity date.

	Less than 1 year $'000	**Between 1 to 5 years $'000**	**Over 5 years $'000**
Group			
At 30 June 2014			
Trade and other payables	9,342	–	–
Finance lease liabilities	70	229	–
Bank loans and bills payable	47,300	18,130	471
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

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

	Less than 1 year $'000	Between 1 to 5 years $'000	Over 5 years $'000
Company			
At 30 June 2014			
Trade and other payables	4,828	–	–
Bank loans and bills payable	5,728	12,256	–
At 30 June 2013			
Trade and other payables	894	–	–
Bank loans and bills payable	3,566	10,898	–

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, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on a gearing ratio. The Group is also required by the banks to maintain a gearing ratio of not exceeding 200% (2013: 150%). The Group's strategies, which were unchanged from 2013, 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, finance lease liabilities, plus trade and other payables less cash and cash equivalents. Total capital is calculated as equity plus net debt.

	Group	
	2014 $'000	2013 $'000
Net debt	38,675	30,698
Total equity	90,055	89,455
Total capital	128,730	120,153
Gearing ratio	30%	26%

The Group and Company are in compliance with all externally imposed capital requirements for the financial years ended 30 June 2014 and 30 June 2013.

(e) Fair value measurement

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

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair value measurement (Continued)

Fair value hierarchy

	Fair value measurements at 30 June 2014 using		
Description	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
	$'000	**$'000**	**$'000**
Recurring fair value measurements:			
Investment property (Note 18)	–	14,500	–
Investment in available for sale	–	–	–

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

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

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

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

Valuation techniques used to derive Level 2 fair values

Level 2 fair value of the Group's property has been generally derived using the Direct Comparison Method and is based on the subject property's highest and best use as a factory. The indicative fair value of the subject property is assessed having regards to recent transactions of similar properties around the vicinity and elsewhere. Appropriate adjustments have been made between the comparables and the subject property to reflect the differences in key attributes such as property size and tenure.

(f) Financial instruments by category

The carrying amount of the different categories of financial instrucments is as disclosed on the face of the statement of financial position and in Note 20 to the financial statements, except for the following:

	Group		**Company**	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Loans and receivables	56,369	44,058	13,680	9,573
Financial liabilities at amortised costs	72,572	58,942	20,066	14,894

33. BUSINESS COMBINATION

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.

Completion of the Tranche 3 acquisition of the issued and paid-up share capital of Hock Ann Metal

On 1 April 2014, the Company completed the Tranche 3 acquisition of the issued and paid-up share capital of Hock Ann Metal for a cash consideration of $3,303,000. Subsequent to the completion of the Tranche 3 acquisition, the Company now holds 100% of the entire share capital of Hock Ann Metal. As a result of the Tranche 3 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 $2,805,000. The proportionate amount of the carrying amount of net assets of the acquired non-controlling interests is $6,108,000.

34. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATION

Below are the mandatory FRS and amendments to FRSs that have been published, and are relevant for the Company's accounting periods beginning on or after 1 July 2014 or later periods and which the Company has not early adopted.

- 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)
- Amendments to FRS 32 – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014)
- INT FRS 121, Levies (effective for annual periods beginning on or after 1 January 2014)

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

Shareholding Statistics

Number of shares	:	393,781,089
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share

Treasury Shares

As at 19 September 2014, the Company does not hold any treasury shares.

Distribution of shareholdings as at 19 September 2014

Size of shareholdings	No. of shareholders	%	No. of Shares	%
1-999	56	3.33	2,642	0.00
1,000-10,000	569	33.85	3,899,150	0.99
10,001-1,000,000	1,033	61.45	84,654,280	21.50
1,000,001 and above	23	1.37	305,225,017	77.51
Total	1,681	100.00	393,781,089	100.00

Twenty largest shareholders as at 19 September 2014

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	32,559,431	8.27
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	5,235,000	1.33
8	Lim & Tan Securities Pte Ltd	5,046,000	1.28
9	OCBC Securities Private Ltd	2,598,873	0.66
10	United Overseas Bank Nominees Pte Ltd	2,471,010	0.63
11	Teo Kek Tjok @ Teo Kek Yeng	2,210,000	0.56
12	CIMB Securities (Singapore) Pte Ltd	2,145,020	0.54
13	Cheng Buck Poh @ Chng Bok Poh	2,034,000	0.52
14	Maybank Kim Eng Securities Pte Ltd	2,031,000	0.52
15	Maybank Nominees (S) Pte Ltd	1,830,225	0.47
16	Seah Kiok Leng	1,593,000	0.40
17	Lim Puay Lan	1,533,000	0.39
18	DBS Nominees Pte Ltd	1,385,000	0.35
19	Koh Chin Hwa	1,300,000	0.33
20	Chong Hock Ping	1,150,000	0.29
	Total:	301,878,017	76.66

Shareholding Statistics

Substantial Shareholders as at 19 September 2014

	Direct Interest		Deemed Interest	
Name	**Number of Shares**	**(%)**	**Number of Shares**	**(%)**
Ang Yu Seng	137,248,408	34.85	–	–
Ang Yew Lai	47,171,050	11.98	–	–
Ang Yew Chye	32,559,431	8.27	–	–
Goi Seng Hui	35,638,000	9.05	–	–

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HAND

As at 19 September 2014, 35.73% of the Company's shares are held in the 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 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 Friday, 24 October 2014 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 2014 together with the Auditors' 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 2014. (2013: 0.25 cents) **Resolution 2**

3. To approve the payment of Directors' fees of S$130,000 for the financial year ending 30 June 2015, payable half yearly in arrears. (2014: S$130,000) **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. Ang Yu Seng **Resolution 4**
   Mr. Chang Yeh Hong **Resolution 5**

   [See Explanatory Note (i)]

5. To re-appoint Messrs RT LLP, Chartered 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

Chew Kok Liang
Shirley Tan Sey Liy
Company Secretaries
9 October 2014

Explanatory Notes:

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

Personal Data Privacy

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purpose"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

UNION STEEL HOLDINGS LIMITED

Company Registration No. 200410181W
(Incorporated In the Republic of Singapore)

IMPORTANT:

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

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, ______________________ NRIC / Passport No. ______________________

of ______________________
being *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 Friday, 24 October 2014 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 2014		
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 2015, payable half yearly in arrears		
4	Re-election of Mr. Ang Yu Seng as a Director		
5	Re-election of Mr. Chang Yeh Hong as a Director		
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 ________________ 2014

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

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

* Delete where inapplicable

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 of Singapore), 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 Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 9 October 2014.

Corporate Information

BOARD OF DIRECTORS
Mr Ang Yu Seng
Mr Ang Yew Chye
Mr Siau Kai Bing
Mr Chang Yeh Hong
Mr Chan Kok Poh

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

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

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

COMPANY SECRETARIES
Mr Chew Kok Liang (LLB) (Hons)
Ms 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
Mr Tsang Siu For Thomas
(Date of appointment: Since financial year ended
30 June 2014)

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

UNION STEEL HOLDINGS LIMITED
33 Pioneer Road North
Singapore 628474
Co Reg. No.: 200410181W
Tel: (65) 6861 9833
Fax: (65) 6862 9833
www.unionsteel.com.sg