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

ANNUAL REPORT 2018

Metal Recycling · Steel Distribution · Scaffolding · Mechanical Engineering · Marine Deck Equipment · Land Transport Engineering

CONTENTS

VISION

Your preferred partner for steel solutions

VALUES

Integrity, Customer focused, Team work and Bonding, Progress and Growth, Innovation

MISSION

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

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, test piles and beams; (iv) leasing of industrial properties; (v) provision of scaffolding services and related consultancy services; (vi) civil construction and engineering work and the manufacture of motor vehicle bodies (coachwork), trailers and semi-trailers; (vii) marine equipment makers, which provide products and engineering services to the marine sector; (viii) land transport engineering solutions, providing a comprehensive range of equipment and components for load handling, including truck-mounted cranes, tailgate, rubbish compactor, and the sole distributor for EFFER, ZEPRO and GEESINKNORBA; (ix) an online platform for sales of equipment.

With more than 30 years of experience, Union Steel has established itself as a leading player in the metals and scrap industry in Singapore. The Group operates one-stop supply centres for the collection and recycling of ferrous and non-ferrous scrap metals and the trading of steel products and non-ferrous metal products. In April 2012, the Group added provision of scaffolding services and related consultancy services to strengthen its position as preferred partner for steel solutions.

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

The Group delivers high quality products and reliable customer service to a global network that spans over hundreds of suppliers and customers, in countries such as India, Bangladesh, 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.

As a socially responsible corporate, the Group strives to improve its social and environment responsibility through various initiatives guided by organization core values. This is especially important in guiding our dealings with all our stakeholders and shareholders.

Union Steel Holdings Limited was listed on SGX-ST Mainboard on 15 August 2005.

BUSINESS OVERVIEW

METAL RECYCLING

The Group operates a one-stop metal recycling centre, collecting metal scrap from 3 facilities across Singapore where we also carry out sorting, shearing, and packing before we export internationally. Our refined and comprehensive processes have been set in place to achieve the cleanest grade of metal scrap for the next stage of the recycling process chain.

With more than 30 years of experience in metal recycling, the Group has grown to become an industry leader in the local market. Our customers include steel mills, foundries, as well as international traders and metal brokers. The Group believes that it offers one of the most comprehensive product offerings of ferrous and non-ferrous metal scrap in Singapore, which includes steel, copper, aluminum, stainless steel, lead as well as zinc scrap.

TRADING

The Group distributes 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, steel plates and sheet piles. The quality of our steel products adheres to the guidelines set by the Singapore standard.

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, test piles and beams for rental, 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 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.

MECHANICAL ENGINEERING SERVICES

The Group is involved in the civil construction and engineering work, and the manufacturing of motor vehicle bodies, trailers, and semi-trailers.

We are committed to creating a safe work environment. 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. We are ISO9001:2008 certified.

MARINE DECK EQUIPMENT

The Group is involved in the business of designing, manufacturing and supplying of marine winches, cranes and hydraulic power units to the marine, offshore and oil & gas industries. As one of the largest stockists in the region, we have more than 150 units of marine winches with capacities ranging from 8 to 250 tons. We offer both short and long-term leasing solutions, along with hire-purchase schemes to better complement our direct sales to customers. Our wide range of services puts us above competition and our flexibility has won over many new projects. With each passing month, we are gaining a stronger brand presence in the industry both locally as well as internationally.

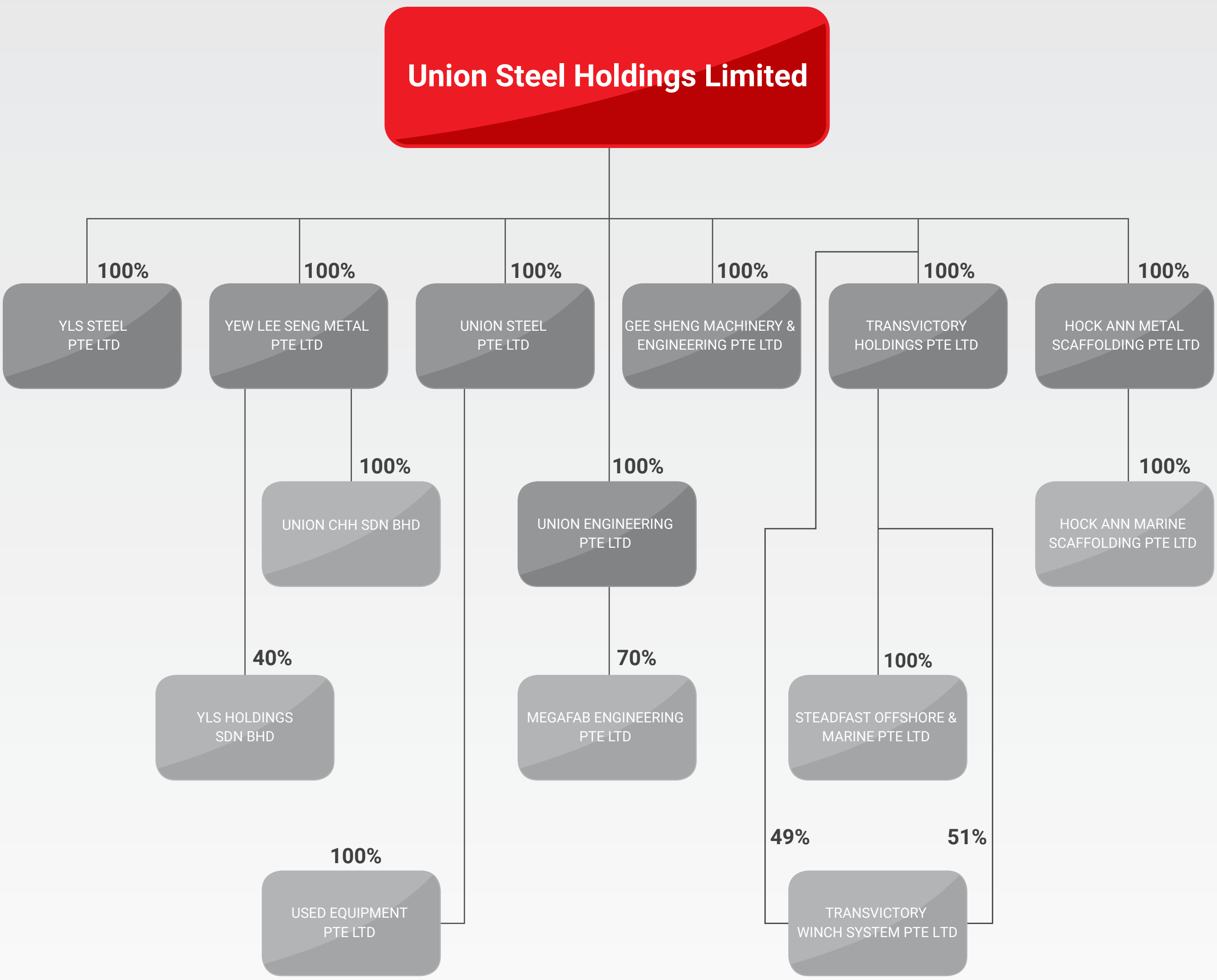
LAND TRANSPORT ENGINEERING

The Group provides land transport load handling engineering solutions through an accredited SAC hooklift compactor and OTC inspection centre. We offer a comprehensive range of equipment and components for load handling, including truck-mounted cranes, tailgate, rubbish compactor and we are the sole distributor for EFFER, ZEPRO and GEESINKNORBA. The Group also specializes in designing and selling of heavy duty lifting cranes with winches. These proprietary designed lifting winches are backed by intelligent software-based control system.

OTHER BUSINESSES

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

CORPORATE STRUCTURE



CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of the Board, I am pleased to present the Annual Report of Union Steel Holdings Limited ("Union Steel" or "The Group") for the financial year ended 30 June 2018 ("FY 2018").

Union Steel continues to weather the numerous challenges in the operating environment. Our core steel-related businesses have faced a prolonged period of adverse conditions due to intense competition and soft demand. In order to mitigate this, we embarked on a lasting effort, which began several years ago, to diversify the Group's income streams. This has included the acquisition of businesses that will drive synergies and generate additional revenue. Today, Union Steel comprises businesses such as scaffolding and rental of steel plates and sheet piles, which are complementary to the steel trading and recycling business. Additionally, the Group offers products and services in civil construction and engineering, marine equipment, and land transport engineering.

Union Steel closed out the year with a creditable financial performance in the fourth quarter of FY 2018, despite the challenging climate. We greatly appreciate the support of our loyal shareholders who have stayed with us through the hard times. In view of the financial results in FY 2018, we have declared a dividend of 1.20 cents per share, our first dividend in over three years. We will continue working hard to manage the business prudently and generate value for our stakeholders.

FINANCIAL AND BUSINESS REVIEW

The Group's total revenue decreased by 11.8% in FY2018 (vis-à-vis FY2017) due principally to the lower contribution from the Group's trading and recycling business, partially offset by increased sales from mechanical engineering works and industrial crane services. In Q4FY2018 (vis-à-vis Q4FY2017), the Group achieved a 2.5% growth in revenue as a result of increased sales by the Group's winch business amounting to almost $2 million, as well as a higher contribution in new steel sales of $2.1 million. This was offset by a decline in revenue from scrap and leasing businesses of approximately S$3.3 million.

The Group's gross profit margin increased to 18.7% in FY2018 and 21.4% in Q4FY2018 mainly due to better margins commanded by the winch business. Scrap and leasing businesses achieved a slightly higher profit margin this year at 16.4%.

The Group's other operating income decreased by about 25% in FY2018 and by 32% in Q4FY2018 relative to the same period last year, due mainly to the lower rental income generated.

The Group's total bank loans and bills payable decreased by 23.0% to S$34.8 million as at 30 June 2018, from S$45.2 million as at 30 June 2017, mainly due to repayment of principal and reduction of the need for trade financing as a result of decreased trading business sales. Subsequently, the Group's cash and cash equivalents decreased by S$2.7 million compared to 30 June 2017, and the net gearing of the Group (defined as the ratio of

the aggregate of interest bearing loans net of cash and cash equivalents to total equity) decreased to 27.2% as at 30 June 2018 from 36.6% as at 30 June 2017.

OUTLOOK

The near-term outlook for the steel industry remains challenging in view of price volatility and soft demand. The Group is also cognisant of the macro risks presented by escalating global trade tensions. We will continue to manage our financial position prudently and navigate cautiously. Our diversification journey into complementary businesses has borne some fruit, and we are concentrating our efforts on harnessing potential benefits and synergies from these businesses. At the same time, we recognise that the demand which underpins some of our business units is cyclical in nature. We will strive to make the most of the opportunities which are presented.

ACKNOWLEDGEMENTS

On behalf of my fellow Board members, I would like to express our deepest thanks to our shareholders, customers, suppliers, business partners, management and staff, and all our corporate advisors. We are grateful that you have continued to keep faith with us, and I also thank my fellow directors for their commitment, wisdom and counsel.

MR ANG YU SENG (洪友成)
Executive Chairman and Chief Executive Officer

FOCUSING ON OUR TARGETS

Through the years, Union Steel has established a strong brand equity by consistently delivering high quality products and reliable customer services. We endeavor to drive long-term value for our shareholders by leveraging synergies across our various business segments.

OUR PRODUCTS

1. Metal Recycling

2. Steel Distribution

3. Scaffolding

OUR PRODUCTS

4

5

6

4. Mechanical Engineering

5. Marine Deck Equipment

6. Land Transport Engineering

BOARD OF DIRECTORS

MR. ANG YU SENG
Executive Chairman and Chief Executive Officer

Mr. Ang Yu Seng is the co-founder of our Group. He was appointed as Executive Chairman and Chief Executive Officer on 12 August 2004. He is responsible for developing and driving the growth strategies of the companies in the Group. Mr. Ang has more than 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 more than 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 service 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 publicly listed companies. Mr. Siau holds an Accountancy degree from the National University of Singapore and is a Fellow Chartered Accountant with the Institute of Singapore Chartered Accountants.

MS. TAN MIN-LI
Independent Director

Ms. Tan Min-Li was appointed as Independent Director of our Company on 1 April 2015. She is currently the partner at Colin Ng & Partners LLP, a firm of advocates and solicitors in Singapore, and has more than 15 years of experience in the legal profession. Ms. Tan has considerable experience in the areas of initial public offerings, regional investments, corporate restructuring, cross border joint ventures and mergers and acquisitions in the region. Ms. Tan is also an Independent Director of 2 other publicly listed companies. Ms Tan graduated with a Bachelor of Laws (Honours) from the National University of Singapore and holds a Master of Laws degree from University College London, University of London.

MR. WONG LOKE TAN
Independent Director

Mr. Wong Loke Tan was appointed to the Board on 18 November 2016. He chairs the Remuneration Committee and is also a member of the Audit Committee. Mr. Wong is a senior banker with over 30 years of banking experience with international banks and local banks, including Singapore's longest established bank, OCBC Bank. His experience and expertise span across syndicated loans, project financing, structured trading financing and merger and acquisitions. He is widely known in the business community for his extensive network and strong rapport with the Singapore SME business circle. Mr. Wong left banking in June 2016 as a Senior Vice President with Maybank, Singapore. Currently, he is a Non-Executive Independent Chairman of Koyo International Limited and is also a Non-Executive Independent Director of Adventus Holdings Limited. He is also dedicated to contributing to the Civic Organisations such as St. Gabriel's School Management Committee. In 2013, he was awarded the Bronze Medallion Service Award by the Ministry of Education in recognition of his contributions and services.

MR. GOI KOK NENG
Non-Executive Director

Mr. Goi Kok Neng was appointed to the Board on 12 January 2018. Mr. Goi is currently the Managing Director of Abaglobe (S) Pte Ltd, Chief Operating Officer of Tee Yih Jia Group Pte. Ltd., Executive Director of KOP Limited, Managing Director of Montigo Resorts, Non-Executive Director of Yamada Green Resources Limited and Non-Executive Non-Independent Director of Serial System Ltd. From 2009 to 2013, Mr. Goi was Deputy Director of Overseas Sales at Hong Kong Stock Exchange listed, Trigiant Group Ltd, a leading manufacturer of mobile telecommunication cables in China. He was a General Manager of Honji Foods (2005) Pte. Ltd. from 2005 to 2009. Mr. Goi served as a Director of Mandarin Food Manufacturing Pte. Ltd., a Director of Interchamp F&B Pte. Ltd., from June 2004 to May 2010; and Hydrex International Pte. Ltd., from September 2011 to May 2012. Mr. Goi started his career with global frozen food manufacturer, TYJ Food in 1999 and was involved in various aspects of the business, namely, investment, marketing and operations.

KEY MANAGEMENT

MR. HO KIAN TECK
Chief Operating Officer

Mr Ho Kian Teck joined our Group in December 2015 and resigned in August 2018. His responsibilities included assisting the Executive Chairman and Chief Executive Officer, and overseeing the overall Group's regulatory and compliance, supervising the finance, human resource, information technology function. Mr Ho was also responsible for the successful execution of business strategies. Prior to joining our Group, he was the Group Financial Controller of Marco Polo Marine Limited. He is a fellow member of Charted Accountant (Singapore) of the institute of Singapore Chartered Accountants.

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 Hock Ann'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.

FORGING STRATEGIC RESILIENCE

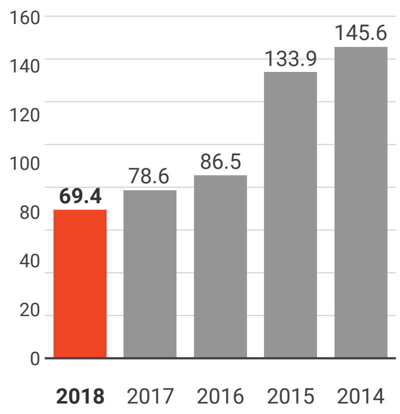
In face of the current economic condition, our focus is on exercising prudence and executing strategic initiations. The Group aims to streamline its operations to develop business efficiency and enhance our competitive position within the various industries we are currently active in. Our ability to adapt to dynamic market trends will help us remain resilient amid economic uncertainties.


320
340
20
40
60
80
100
120
140
160
200
220
N
S

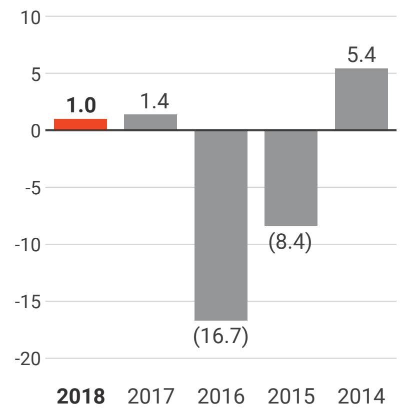
FINANCIAL HIGHLIGHTS

	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
Group Turnover (S$'million)	69.4	78.6	86.5	133.9	145.6
Group Net Profit Attributable to Shareholders (S$'million)	1.0	1.4	(16.7)	(8.4)	5.4
Group Gross Margin (%)	18.7	17.7	10.7	8.0	10.8
Group EPS (cents)	2	4	(42)	(21)	14
Group NAV (cents)	170	167	163	205	231
Dividend Payout (cents)	1.20	Nil	Nil	0.05	0.25

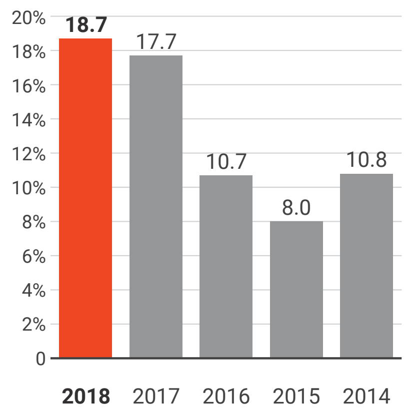
Group Turnover
(S$'million)



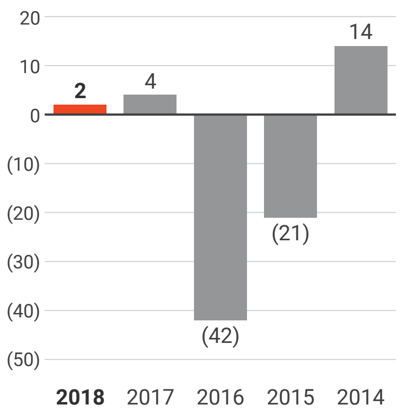
Group Net Profit Attributable to Shareholders
(S$'million)



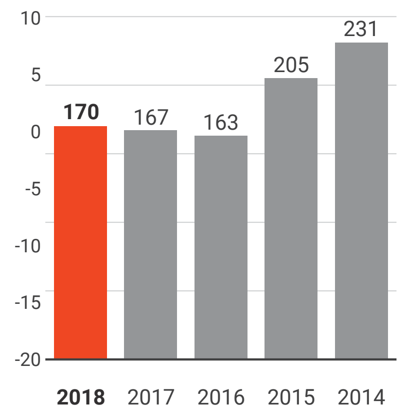
Group Gross Margin
(%)



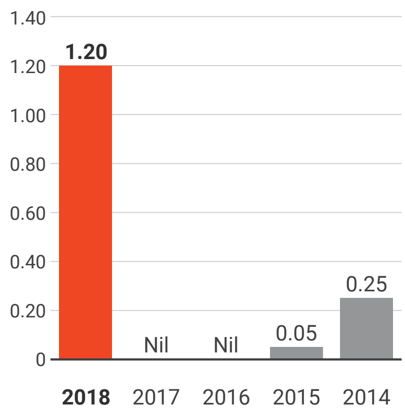
Group Earning/(Losses) Per Share
(cents)



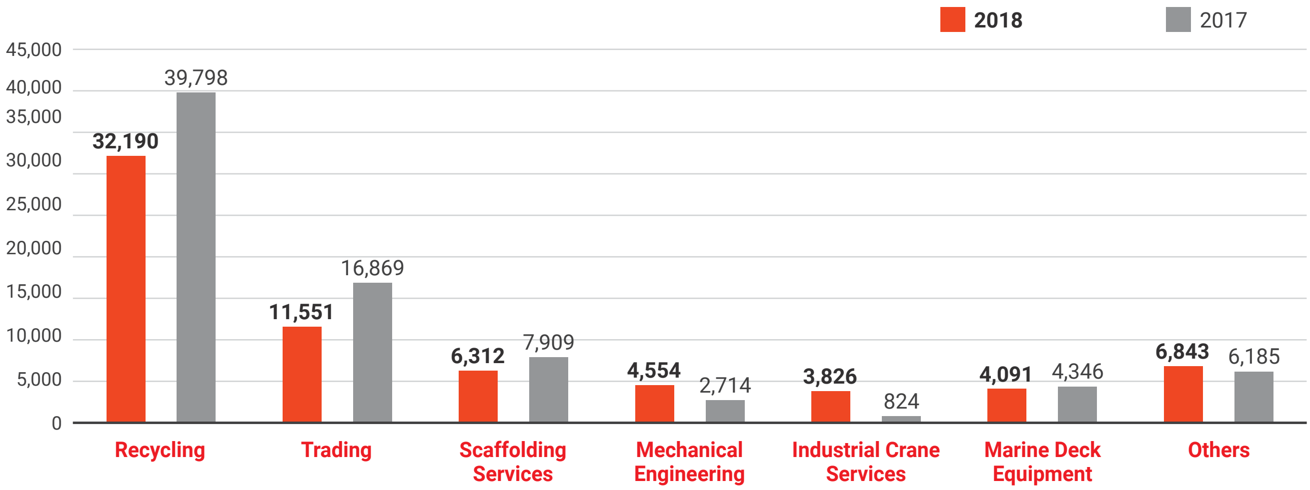
Group NAV
(cents)



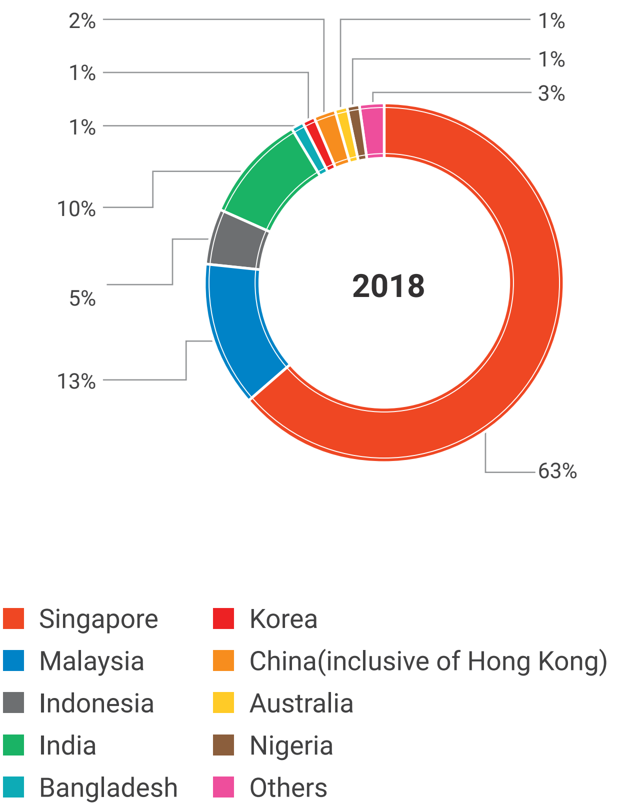
Dividend Payout
(cents)

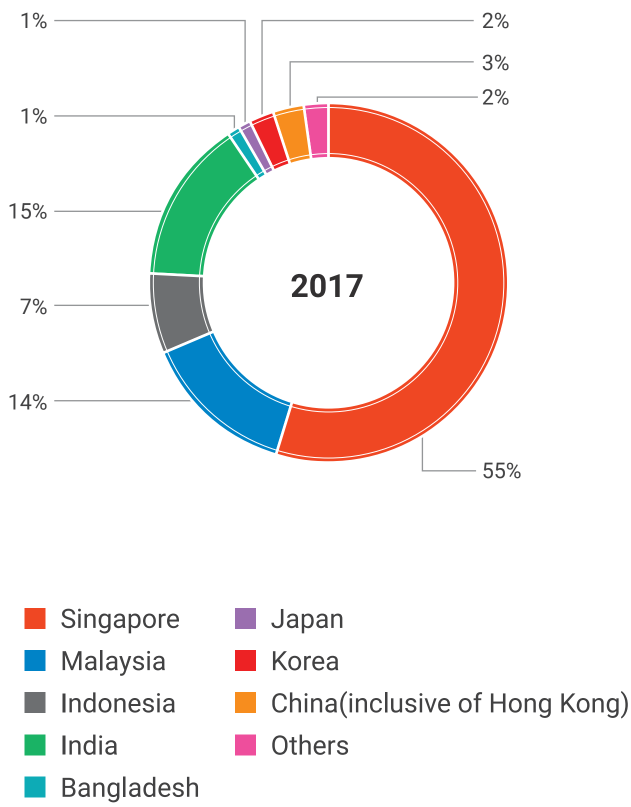


Segment Revenue
($'000)

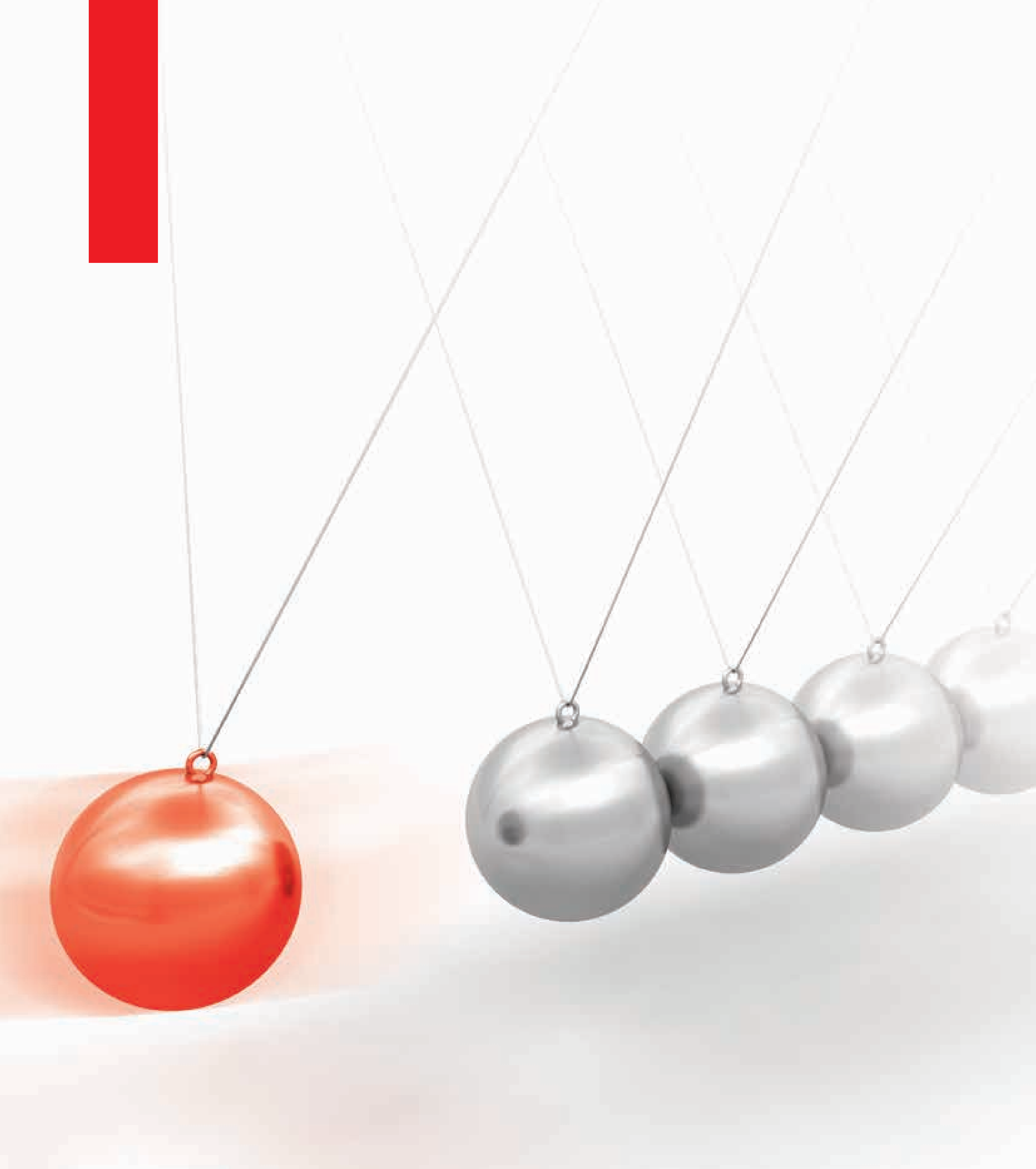


Revenue by Geographical Region





A DIRECTION FOR LONG-TERM SUSTAINABILITY



Our extensive experience and expanded expertise spanning three decades have allowed us to sustain a direction towards growth opportunities and strategic ventures. But our endeavours do not stop there; we remain committed to constantly improve our practices and processes while prioritising proactive development across our business units. With these in place, we are able to build greater potential.

CORPORATE
SOCIAL RESPONSIBILITY

Union Steel Holdings Limited ("the Group"), holds itself to ethical standards that guide the behaviour of all employees, and our organisation as a whole, ultimately helping to ensure the long-term viability and success of the Group. The core values of our organisation are clearly defined – integrity, customer focus, teamwork and bonding, progress and growth, and innovation. This report outlines our practices and goals as we build on these values, in our endeavours as a socially responsible corporate citizen.

OUR STAKEHOLDERS

We have identified the stakeholder groups which are key to our business operations and long term viability. They are as follows:

Customers

Our customers are the foundation of everything we do, and we are always mindful of building and maintaining fruitful long-term relationships with them, through fair and responsible business dealings.

Business partners and suppliers

The Group is part of an international marketplace, and ensures that the materials we acquire are from sources which do not result in adverse environmental or social impact.

Shareholders and investors

The Board and management are committed to sound corporate governance practices, as well as fair and transparent dealings and communication with the Group's shareholders and the investing public.

Community

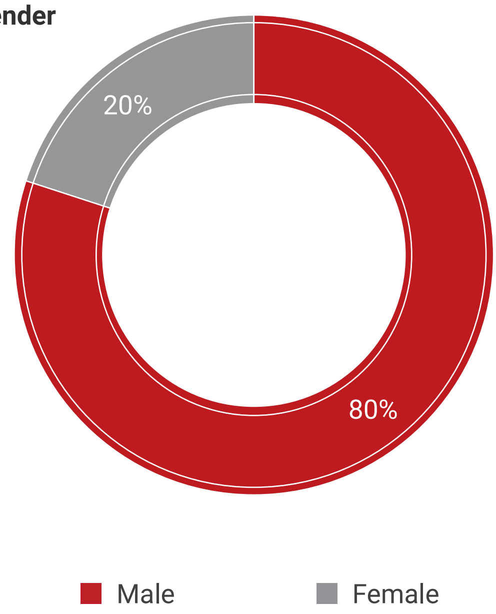
The Group strongly believes in giving back to the community through charitable work and financial support, as well as mentorship and development for students who will eventually become contributing members of the workforce.

Employees

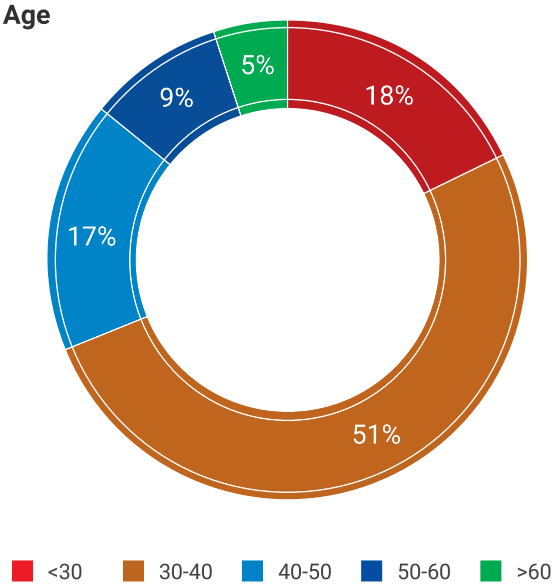
The Group prides itself on being a fair and compassionate employer, and this is embodied in its inclusive stance for company activities. Staff is also given ample opportunities for continuous professional development.

A RESPONSIBLE EMPLOYER

By Gender



By Age



A RESPONSIBLE EMPLOYER

The Group's human resource policies are strongly grounded in fairness and inclusivity. Our corporate office has a diverse mix of employees, with both genders and all age groups well-represented. This ensures a balanced workforce and also enables our younger staff to benefit from the mentoring and guidance of their seniors.

Teamwork and bonding, one of our core values, can only be achieved when all staff is motivated, helpful, and feels a sense of belonging to the organisation. Having a committed and dedicated workforce enables us to then achieve our corporate goals. Cohesion is fostered among our staff through company-wide activities such as the annual dinner and dance, and lunch buffets catered on festive occasions such as Deepavali, Christmas, and the Hungry Ghost Festival. We also distribute gift vouchers to staff on their birthdays. In line with our policy of inclusivity, our foreign workers are included in the aforementioned. Furthermore, individual departments are encouraged to organise their own teambuilding activities and social gatherings.

FOREIGN WORKER WELFARE

The foreign workforce is an essential part of our operations, and every effort is made to ensure that they are well-provided for, and treated with care and compassion. Our dormitories provide daily breakfast and dinner for all our workers at no additional charge. To reinforce their importance to the Group, they are all included in the annual dinner and dance, and subsequent lucky draw.

In operational work, all workers are issued a set of personal protective equipment (PPE), and the yards have clearly visible signage indicating and reminding workers of where and what PPE should be worn. Yard supervisors are required to conduct weekly toolbox meetings to review safety procedures, and for workers to air any concerns.

In FY 2018, there was one non-fatal workplace accident (2017: Nil). All accidents are thoroughly investigated, and where appropriate, actions will be taken to prevent such incidents from reoccurring.

NURTURING TALENT

We aim to help our staff grow to their full potential and training courses are regularly scheduled for staff as part of their professional development. Courses attended by staff include productivity courses, ISO 9001 and 14001 internal auditor courses. We also ensure that our staff's technical skills are honed and upgraded through certification courses conducted by the BCA Academy, such as electrical wiring, 3G welding, and hydraulic excavator operation. Each department is held responsible for monitoring the number of training hours attended by its staff, as this is one of the department KPIs. Staff at our subsidiaries is encouraged to attend the training courses as well as they are all part of the same Group.

COMMUNITY ENGAGEMENT

We make multifaceted contributions back to society through a significant number of charitable donations every year. In FY2018 the Group made significant contributions to various charity golf tournaments. The Group also donated to Ulu Pandan Community Club and Sian Chay Medical Institution.

During our Annual Dinner and Dance, donations were collected from the staff and given to Promisedland Community Services, a non-profit organisation dedicated to provide help and social services to cancer patients, needy families, children and youths.

ENVIRONMENTAL RESPONSIBILITY

Being in the business of metal recycling, we are cognizant of the direct impact that our activities have on the environment. We strive to maximise the recovery of metal from the scrap that we receive, by sorting the collections into the various grades and types of metal. This sorting allows us to optimise the extraction of each material in terms of both its monetary value and usage.

In an effort to reduce our environmental footprint, we also have a fleet renewal programme where vehicles such as excavators and forklifts are periodically replaced with newer, more efficient models with reduced carbon emissions and fuel consumption. At our corporate office, staff is also encouraged to reduce wastage by recycling paper, and switching off the lights and air-conditioning when not in use.

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 2018 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 direction, 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 has established a number of Board Committees, namely the Audit Committee ("**AC**"), the Nominating Committee ("**NC**") and the Remuneration Committee ("**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 Constitution 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 2018:

Name	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of meetings Held	No. of meetings Attended	No. of meetings Held	No. of meetings Attended	No. of meetings Held	No. of meetings Attended	No. of meetings Held	No. of meetings Attended
Ang Yu Seng	4	4	4	4*	1	1	1	1*
Ang Yew Chye	4	4	4	4*	1	1*	1	1*
Goi Kok Neng [(1)]	4	2	4	2*	1	–	1	–
Siau Kai Bing	4	4	4	4	1	1	1	1
Tan Min-Li	4	4	4	4	1	1	1	1
Wong Loke Tan	4	4	4	4	1	1*	1	1

* By invitation

Note:

(1) Mr. Goi Kok Neng was appointed as the Non-Executive Director on 12 January 2018.

The Board has adopted a set of internal guidelines setting forth matters that require Board 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 on changes to the Singapore Exchange Trading Securities Limited ("**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 effectively 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 ("**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.

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 the 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 Guidance

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, one (1) Non-Executive Director 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. Goi Kok Neng [(1)]	Non-Executive Director	–	–	–
Mr. Siau Kai Bing	Lead Independent Director	Chairman	Member	Member
Mr. Wong Loke Tan	Independent Director	Member	–	Chairman
Ms. Tan Min-Li	Independent Director	Member	Chairman	Member

Note:

(1) Mr. Goi Kok Neng was appointed as the Non-Executive Director on 12 January 2018.

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, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgment of the Group's affairs. The NC has 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 has conducted a rigorous review on the independence of the Independent Director, Mr. Siau Kai Bing and has considered that Mr. Siau Kai Bing is independent even though he has served on the Board beyond 9 years. The relevant factors that were taken into consideration in determining the independence of Mr. Siau Kai Bing are set out in Principle 4 below.

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.

The Non-Executive Director and Independent Directors exercise no management functions in the Group. The role of the Non-Executive Director 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 the Non-Executive Director and 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 "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, 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 the CEO, Mr. Ang Yu Seng 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 when they have concerns or contact through the normal channels of the Executive Chairman and CEO and Chief Operating Officer 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:

<u>Nominating Committee</u>

Ms. Tan Min-Li	(Chairman)
Mr. Ang Yu Seng	
Mr. Siau Kai Bing	

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

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

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

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

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

(5) Determining whether a Director is independent; and

(6) Proposing a set of objective performance criteria to the Board for approval and implementation, evaluating 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 Constitution 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. Pursuant to Regulation 97 of the Company's Constitution, Directors of the Company who were newly appointed by the Board since the last AGM will have to retire at the forthcoming AGM.

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

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

(2) The attendance, active participation and ability to express his views independently at all times and present constructive challenges on issues, in the proceedings and decision making process of the Board and Board Commitee meetings;

(3) Provision of continuity and stability to the 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 qualifications of the Independent Director and his expertise provide 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 acts as a safeguard for the protection of Company's assets and shareholders' interests.

In this regard, the NC has conducted a rigorous review of the suitability of Mr. Siau Kai Bing being the Independent Director who has served on the Board beyond 9 years and has determined that Mr. Siau Kai Bing remains independent. Mr. Siau Kai Bing had abstained from voting on any resolution in respect of his own appointment. In addition, the NC is of the view that Mr. Wong Loke Tan and Ms. Tan Min-Li are independent (as defined in the Code) and are 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 2018.

The NC has recommended to the Board that Mr. Ang Yu Seng and Ms. Tan Min-Li be nominated for re-election under Regulation 91 of the Company's Constitution and Mr. Goi Kok Neng be nominated for re-election under Regulation 97 of the Company's Constitution 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 of his or her 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 "Particulars of Directors pursuant to the Code of Corporate Governance" in 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 being 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 NC has established a review process to assess the performance and effectiveness of the Board as a whole, the Board Committees and individual self-assessment to assess each Director's contribution to the Board's effectiveness. During FY2018, all Directors are requested to complete a Board Committees, Board and Individual Director evaluation questionnaire designed to seek their views on the various aspects of the Board's performance so as to assess the overall effectiveness of the Board. No external facilitator was used during the evaluation process in FY2018.

The responses are collated and reviewed by the NC which then makes recommendations to the Board aimed at helping the Board to discharge its duties more effectively. The appraisal process focuses on a set of performance criteria which includes the evaluation of the size and composition of the Board, the Board's access to information, Board processes and accountability, Board performance in relation to discharging its principal responsibilities and the Directors' standards of conduct. Following the review, the NC 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 have endeavoured to ensure that Directors appointed to the Board possess the relevant experience, knowledge and expertise critical to the Group's business.

Access to Information

Principle 6: In order to fulfil 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 attend all Board and Board Committees meetings and prepare minutes of Board and Board Committees meetings and assist the Chairman in ensuring that Board procedures are followed and reviewed in accordance with the Company's Constitution 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 services 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:

<u>Remuneration Committee</u>

Mr. Wong Loke Tan (Chairman)
Mr. Siau Kai Bing
Ms. Tan Min-Li

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 expenses 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 key Senior Management.

The Executive Directors' and key Senior Management remuneration packages are based on service agreements and their remuneration is determined by having regard to the performance of the individuals, the Group and industry benchmarks. The remuneration package for the Executive Directors and key Senior Management staff are made up of both fixed and variable components. The variable component is determined based on the performance of the individual employee as well as the Group's performance. The service agreements of the Executive Directors have been renewed for a further period of 3 years with effect from 1 July 2018. The Executive Directors do not receive Directors' fees.

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

Non-Executive Director and 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 2018 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	79	6	–	15	100
S$250,000 to below S$500,000					
Mr. Ang Yew Chye	74	6	–	20	100
Below S$250,000					
Mr. Goi Kok Neng [(1)]	–	–	100	–	100
Mr. Siau Kai Bing	–	–	100	–	100
Mr. Wong Loke Tan	–	–	100	–	100
Ms. Tan Min-Li	–	–	100	–	100

(1) Mr. Goi Kok Neng was appointed as the Non-Executive Director on 12 January 2018.

For the financial year ended 30 June 2018, the Company only identified 2 key management personnel. Details of remuneration paid to Top 2 key management personnel of the Group (who are not Directors or CEO) for the financial year ended 30 June 2018 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	63	26	11	100
Below S$250,000				
Mr. Ho Kian Teck	92	8	–	100

For the financial year ended 30 June 2018, the aggregate total remuneration paid to the key management personnel (who are not Directors or the CEO) amounted to S$606,000.

There were no terminations, 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 FY2018.

Immediate Family Member of Directors or CEO

There are two employees of the Group who are immediate family members of the Company's Executive Directors. The remuneration of Mr. Ang Jun Long, son of Mr. Ang Yu Seng and Ms. Ang Ru Mei, Renne, daughter of Mr. Ang Yew Chye did not exceed S$100,000 in the financial year ended 30 June 2018. 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 CEO for the financial year ended 30 June 2018 are set out below:

Name of Immediate Family Member	Salary	Bonus	Allowances and Other Benefits	Total
	%	%	%	%
S$50,000 to below S$100,000				
Mr. Ang Jun Long	76	17	7	100
Ms. Ang Ru Mei, Renne	92	8	–	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 2018 exceeded S$100,000.

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 continues to grow and with the 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 the Chief Operating Officer have assured the Board that:

(1) The financial records have been properly maintained and the financial statements for the financial year ended 30 June 2018 give a true and fair view of the Company's operations and finances; and

(2) The Group risk management and internal control 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 are currently in place, the Board, with the concurrence of the AC, is of the view that there are adequate and effective 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 2018.

Audit Committee

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

The AC comprises entirely of Independent Non-Executive Directors which are as follows:-

Audit Committee

Mr. Siau Kai Bing (Chairman)
Mr. Wong Loke Tan
Ms. Tan Min-Li

The AC is established to assist the Board with discharging its responsibility of safeguarding the Company's assets, maintaining adequate accounting records and developing and maintaining 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/final unaudited financial statement;

(7) review 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.

The AC had evaluated the performance of the external auditors based on the key indicators of audit quality set out in the Guidance to Audit Committees on Evaluation of Quality of Work performed by External Auditors.

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 Deloitte & Touche 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 2018, the fees that are charged to the Group by the EA for audit services were approximately S$191,000. There were no non-audit fees paid to the EA.

Anti-Bribery Compliance Policy

The Group has implemented an anti-bribery compliance policy to demonstrate its commitment and provides standards of conduct for employees and third-party representatives to conduct its businesses in a professional, fair, ethical manner and in compliance with anti-bribery and corruption laws in the various jurisdictions in which the Group has its business presence. Training sessions are also conducted to educate the Group's employees on the related topics.

As of to-date, there were no reports received through the anti-bribery channels.

Fraud Risk Management Policy

The Group has implemented a fraud risk management policy to prevent, detect and respond to incidents of fraud. Any acts of fraud committed by employees or parties may face consequences such as disciplinary warnings, termination of employment or other contractual relationship, and be reported to the appropriate law enforcement or regulatory body.

Fraud risk assessment, fraud communication and training, background and due diligence checks are preventive measures taken by the Group to detect fraud.

This policy is reviewed at least annually and revised, where applicable, to meet the changing needs of the Group.

As of to-date, there were no incidents of fraud detected.

Whistle-Blowing Policy

The Group also 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 internal controls as directed by the Audit Committee. 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 IA has unfettered access to all the Company's documents, records, properties and personnel, including access to the AC. The AC approves the hiring, removal, evaluation and compensation of the internal audit function which the IA is outsourced.

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 ascertaining 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.

Staffed by qualified professionals with the relevant qualifications and experience, KPMG has unrestricted access to the AC. KPMG reports to the Chairman of the AC and the methodology is in conformance with the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors.

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 team is staffed by suitably qualified and experienced professionals with the relevant experience.

The AC reviews annually the adequacy and effectiveness of the internal audit function of the Company and conducts meeting without the presence of the Management.

(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 announcements released to the SGXNet and notice contained in the annual report or circulars sent to all shareholders. These notices are also advertised in a national newspaper. Shareholders are also informed on the procedures for the poll voting at the general meetings. All Shareholders are entitled to attend the general meetings and provide the opportunity to participate in the general meetings. If any Shareholders are 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 send in advance. The Company's current Constitution does not include the nominee or custodial services to appoint more than two proxies.

On 3 January 2016, the legislation was amended, among other things, to allow certain members, defined as "Relevant Intermediary" to attend and participate in general meetings without being constrained by the two proxy requirement. Relevant intermediary includes corporations holding licenses in providing nominee and custodial services and CPF Board which purchase shares on behalf of the CPF investors.

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 shareholders, 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:-

- 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;

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

- Press releases on major developments of the Group; and

- 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 has 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. For FY2018, the Board has recommended a final dividend of 1.2 cents per share which is subject to shareholders' approval at the forthcoming AGM of the Company.

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.

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

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

The Company acknowledges that voting by poll in all its general meetings is integral in the enhancement of corporate governance. The Company adheres to the requirements of the Listing Manual of the SGX-ST and the Code where all resolutions at the Company's general meetings held on or after 1 August 2015, are put to vote by poll. The detailed results of each resolution are announced via SGXNet after the general meetings. The Company has adopted electronic polls for all resolutions noted at the AGM held in FY2018.

(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, CEO or controlling shareholders of the Group or the associates of such Directors, CEO or controlling shareholders) subsisting for the financial year ended 30 June 2018.

PARTICULARS OF DIRECTORS PURSUANT TO THE CODE OF CORPORATE GOVERNANCE

Name of Director	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	Executive Chairman and Chief Executive Officer	Chairman of the Board and Member of the Nominating Committee	12 August 2004	25 October 2016	Nil	Nil
Mr. Ang Yew Chye	Executive Director	Board Member	12 August 2004	24 October 2017	Nil	Nil
Mr. Siau Kai Bing	Lead Independent Director	Board Member, Chairman of the Audit Committee and Member of the Nominating Committee and Remuneration Committee	28 June 2005	24 October 2017	Nil	Nil

Name of Director	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. Goi Kok Neng	Non-Executive Director	Board Member	12 January 2018	–	Yamada Green Resources Limited Serial System KOP Limited	Nil
Ms. Tan Min-Li	Independent Director	Board Member, Chairman of the Nominating Committee and Member of the Audit Committee and Remuneration Committee	1 April 2015	31 October 2015	Colin Ng & Partners LLP Anchun International Holdings Ltd Ocean Sky International Limited	Nil
Mr. Wong Loke Tan	Independent Director	Board Member, Chairman of the Remuneration Committee and Member of the Audit Committee	18 November 2016	24 October 2017	Koyo International Limited Adventus Holdings Limited	Nil

The directors present their statement together with the audited 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 2018.

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and the statement of changes in equity of the Company as set out on pages 48 to 88 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2018, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

1 DIRECTORS

The directors of the Company in office at the date of this statement are as follows:

Ang Yu Seng
Ang Yew Chye
Siau Kai Bing
Tan Min-Li
Wong Loke Tan
Goi Kok Neng (Appointed on 12 January 2018)

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

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 share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:

	Shareholdings registered in the name of director	
Name of directors and Company in which interests are held	**At beginning of year**	**At end of year**
The Company		
(Ordinary shares)		
Ang Yu Seng	13,724,840	13,724,840
Ang Yew Chye	3,343,343	3,343,343
Siau Kai Bing	12,000	12,000

By virtue of Section 7 of the Singapore Companies Act, Mr. Ang Yu Seng is deemed to have an interest in all related corporations of the Company.

There was no change in the above-mentioned directors' interests between the end of the financial year and 21 July 2018.

4 SHARE OPTIONS

(a) *Options to take up unissued shares*

During the financial year, no options to take up unissued shares of the Company or any corporation in the Group were granted.

(b) *Options exercised*

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

(c) *Unissued shares under option*

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under options.

5 PERFORMANCE SHARE SCHEME

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

The rationale of the Scheme is to provide an opportunity for the non-executive directors including independent directors and key management personnel and eligible employees of the Group to participate in the equity of the Company so as to motivate them to dedication, loyalty and higher standards of performance, and to give recognition to employees of the Group who have contributed to the success of the Group and cultivate a culture of ownership. The participants are not required to pay for the grant of Awards or for the shares allotted or allocated pursuant to an Award.

The Scheme is administered by the Remuneration Committee.

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

6 AUDIT COMMITTEE

The Audit Committee of the Company, consisting all independent non-executive directors, is chaired by Mr. Siau Kai Bing, and includes Ms. Tan Min-Li and Mr. Wong Loke Tan. The Audit Committee has met 4 times since the last Annual General Meeting ("AGM") and has reviewed the following, where relevant, with the executive directors and external and internal auditors of the Company:

(a) The audit plans and results of the internal auditors' examination and evaluation of the Group's systems of internal accounting controls;

(b) The Group's financial and operating results and accounting policies;

(c) The financial statements of the Company and the consolidated financial statements of the Group before their submission to the directors of the Company and external auditors' report on those financial statements;

(d) The quarterly, half-yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;

6 AUDIT COMMITTEE (cont'd)

(e) The co-operation and assistance given by management to the Group's external and internal auditors; and

(f) The re-appointment of the external auditors of the Group.

The Audit Committee has full access to and co-operation of 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 external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Group at the forthcoming annual general meeting of the Company.

7 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

Ang Yu Seng

Ang Yew Chye

Singapore
17 September 2018

INDEPENDENT AUDITOR'S REPORT

To the Members of Union Steel Holdings Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Union Steel Holdings Limited (the "Company") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 June 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies, as set out on pages 48 to 88.

In our opinion, the accompanying 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 Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2018, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Goodwill impairment testing

As disclosed in Note 11 to the financial statements, goodwill is tested for impairment at least annually. The recoverable amount of individual cash-generating units ("CGUs") to which goodwill has been allocated is determined based on value-in-use computations. Any shortfall in the recoverable amounts against the carrying amounts of individual CGUs will be recognised as an impairment loss.

Key audit matter	Goodwill impairment testing is a key audit matter as it is heavily reliant on management's estimates and assumptions, in particular projected growth rates and discount rates.
Our audit performed and responses thereon	We assessed the value-in-use computations for consistency with generally accepted methodologies, and evaluated management's estimates of growth rates and discount rates based on historical performance, our knowledge of the CGUs' operations and environment, and general economic forecasts. We performed sensitivity analyses to assess the impact of reasonably possible changes to the growth rate and discount rate on the recoverable amount of the CGUs.

Key Audit Matters (cont'd)

<u>Allowances for inventories</u>

The profile of the Group's inventories is disclosed in Note 8 to the financial statements. Allowances for inventories are required when the net realisable values of specific inventory items fall below their cost. Net realisable value is defined as the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

Key audit matter	This is a key audit matter as inventories represent a substantial portion of the Group's current assets. Accordingly, estimates relating to net realisable values and inventory allowances required may have significant impact on the Group's working capital and liquidity position.
Our audit performed and responses thereon	We assessed the design and implementation of key controls relevant to valuation of inventory. We estimated net realisable values of selected inventory items, based on recent sale transactions and current market prices, and compared the estimated net realisable values to the cost of inventories.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors 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 Act and FRSs, 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 financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

To the Members of Union Steel Holdings Limited

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Ms. Seah Gek Choo.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

17 September 2018

STATEMENTS OF FINANCIAL POSITION

As at 30 June 2018

	Note	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
ASSETS					
Current assets					
Cash and cash equivalents	6	18,265	20,942	879	557
Trade and other receivables	7	15,125	12,925	6,346	6,390
Inventories	8	23,841	26,809	–	–
Total current assets		57,231	60,676	7,225	6,947
Non-current assets					
Property, plant and equipment	9	39,391	42,402	156	213
Investment property	10	10,500	10,937	–	–
Goodwill	11	9,683	9,683	–	–
Golf club memberships		201	201	201	201
Subsidiaries	12	–	–	55,102	57,802
Deferred tax assets	15	65	–	–	–
Total non-current assets		59,840	63,223	55,459	58,216
Total assets		117,071	123,899	62,684	65,163
LIABILITIES AND EQUITY					
Current liabilities					
Bank loans and bills payable	13	30,192	37,916	1,752	2,290
Trade and other payables	14	11,556	8,671	27,660	27,685
Finance leases		122	161	–	–
Income tax payable		456	357	–	–
Total current liabilities		42,326	47,105	29,412	29,975
Non-current liabilities					
Bank loans	13	4,620	7,267	3,949	5,718
Finance leases		12	69	–	–
Deferred tax liabilities	15	3,120	3,272	39	39
Total non-current liabilities		7,752	10,608	3,988	5,757
Capital and reserves					
Share capital	16	36,603	36,603	36,603	36,603
Retained earnings (Accumulated losses)		25,206	24,236	(7,319)	(7,172)
Capital reserve	17	5,237	5,237	–	–
Foreign currency translation reserve		(317)	(338)	–	–
Equity attributable to owners of the Company		66,729	65,738	29,284	29,431
Non-controlling interests		264	448	–	–
Total equity		66,993	66,186	29,284	29,431
Total liabilities and equity		117,071	123,899	62,684	65,163

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 30 June 2018

	Note	2018	2017
		$'000	**$'000**
Revenue	18	69,367	78,645
Cost of sales		(56,402)	(64,738)
Gross profit		12,965	13,907
Other income	19	5,082	6,733
Distribution costs		(396)	(965)
Administrative expenses		(10,364)	(11,079)
Other operating expenses	20	(5,704)	(6,003)
Finance costs	21	(1,012)	(1,278)
Profit before tax		571	1,315
Income tax	22	223	247
Profit for the year	23	794	1,562
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		21	(30)
Total comprehensive income for the year		815	1,532
Profit (Loss) for the year attributable to:			
Owners of the Company		970	1,409
Non-controlling interests		(176)	153
		794	1,562
Total comprehensive income (loss) for the year attributable to:			
Owners of the Company		991	1,379
Non-controlling interests		(176)	153
		815	1,532
Earnings per share			
Basic and diluted	24	2 cents	4 cents

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

Year ended 30 June 2018

	Share capital	Retained earnings	Capital reserve	Foreign currency translation reserve	Equity attributable to owners of the Company	Non-controlling interests	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group							
Balance as at 1 July 2016	36,603	22,827	5,237	(308)	64,359	–	64,359
Total comprehensive income for the year							
Profit for the year	–	1,409	–	–	1,409	153	1,562
Other comprehensive loss for the year	–	–	–	(30)	(30)	–	(30)
Total	–	1,409	–	(30)	1,379	153	1,532
Transactions with owners, recognised directly in equity							
Non-controlling interests arising from acquisition and incorporation of subsidiaries	–	–	–	–	–	295	295
Balance as at 30 June 2017	36,603	24,236	5,237	(338)	65,738	448	66,186
Total comprehensive income for the year							
Profit (loss) for the year	–	970	–	–	970	(176)	794
Other comprehensive income for the year	–	–	–	21	21	–	21
Total	–	970	–	21	991	(176)	815
Transactions with owners, recognised directly in equity							
Disposal of a subsidiary	–	–	–	–	–	(8)	(8)
Balance as at 30 June 2018	36,603	25,206	5,237	(317)	66,729	264	66,993

	Share capital	Accumulated losses	Total
	$'000	$'000	$'000
Company			
Balance as at 1 July 2016	36,603	(11,437)	25,166
Profit for the year, representing total comprehensive income for the year	–	4,265	4,265
Balance as at 30 June 2017	36,603	(7,172)	29,431
Loss for the year, representing total comprehensive loss for the year	–	(147)	(147)
Balance as at 30 June 2018	36,603	(7,319)	29,284

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 June 2018

	2018 $'000	2017 $'000
Operating activities		
Profit before income tax	571	1,315
Adjustments for:		
Depreciation of property, plant and equipment	5,807	6,392
Loss (Gain) on disposal of property, plant and equipment	176	(41)
Fair value loss on investment property	437	–
Amortisation of other intangible asset	–	501
Allowance for doubtful receivables	403	150
Receivables written off	24	–
Property, plant and equipment written off	274	218
Property, plant and equipment written back	–	(287)
Gain on disposal of a subsidiary	(16)	–
Interest expense	1,012	1,278
Interest income	(71)	(13)
Operating cash flows before movements in working capital	8,617	9,513
Trade and other receivables	(2,691)	1,614
Inventories	1,205	(2,720)
Trade and other payables	2,934	(6,878)
Cash generated from operations	10,065	1,529
Income tax refund (paid)	105	(93)
Interest paid	(1,010)	(1,278)
Interest received	71	13
Net cash from operating activities	9,231	171
Investing activities		
Purchase of property, plant and equipment	(2,287)	(1,946)
Proceeds from disposal of property, plant and equipment	798	722
Acquisitions of subsidiaries	–	(12,555)
Disposal of a subsidiary	27	–
Net cash used in investing activities	(1,462)	(13,779)
Financing activities		
Increase (Decrease) in bills payable	303	(303)
New bank loans raised	3,841	14,500
Repayment of bank loans	(14,515)	(7,910)
Repayment of finance lease liabilities	(96)	(127)
Contribution from non-controlling interests on incorporation of a subsidiary	–	80
Net cash (used in) from financing activities	(10,467)	6,240
Net decrease in cash and cash equivalents	(2,698)	(7,368)
Effect of exchange rate changes	21	(30)
Cash and cash equivalents at beginning of financial year	20,942	28,340
Cash and cash equivalents at end of financial year	18,265	20,942

See accompanying notes to financial statements.

1 GENERAL

The Company (Registration No. 200410181W) is incorporated in Singapore with its principal place of business and registered office at 33 Pioneer Road North, Singapore 628474. The Company is listed on the Singapore Exchange Securities Trading Limited. The financial statements are expressed in Singapore dollars.

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries are disclosed in Note 12 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 year ended 30 June 2018 were authorised for issue by the Board of Directors on 17 September 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Financial Reporting Standards in Singapore (“FRSs”).

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102 *Share-based Payment*, leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39.

In the Company's separate financial statements, investments in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

BUSINESS COMBINATIONS - Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with FRS 39 *Financial Instruments: Recognition and Measurement*, or FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;

- Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 *Share-based Payment* at the acquisition date; and

- Assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

FINANCIAL INSTRUMENTS - Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

<u>Effective interest method</u>

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments.

Financial assets

<u>Trade and other receivables</u>

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets (cont'd)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables where the carrying amount is reduced through the use of an allowance account. When a receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the profit or loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds recurred, net of direct issue costs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial liabilities

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method, except for short-term balances when the recognition of interest would be immaterial.

Interest-bearing bank loans and bills payable are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

LEASES - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lease. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The Group as lessee (cont'd)

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

INVENTORIES - Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method or specific identification method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

PROPERTY, PLANT AND EQUIPMENT - Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost less residual values, over their estimated useful lives, using the straight-line method, on the following bases:

Leasehold land and buildings	Over the lease term
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 to 10 years
Motor vehicles, trucks and cranes	5 years
Rental materials	10 years

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

INVESTMENT PROPERTY - Investment property, which is property held to earn rentals and/or for capital appreciation, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change of use.

GOODWILL - Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

INTANGIBLE ASSETS - Intangible assets acquired separately are reported at cost less accumulated amortisation (where they have finite useful lives) and accumulated impairment losses. Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are not amortised. Each period, the useful lives of such assets are reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy below.

Intangible assets acquired in a business combination are identified and recognised separately from goodwill. The cost of such intangible assets is their fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL - At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

PROVISIONS - Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

REVENUE RECOGNITION - Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from rendering of services is recognised as and when the services are delivered.

Rental income

The Group's policy for recognition of income from operating leases is described above.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

BORROWING COSTS - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

INCOME TAX - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Except for investment properties measured using the fair value model, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The Group has not rebutted the presumption that the carrying amount of the investment properties will be recovered entirely through sale.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION - The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Singapore dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

On the disposal of a foreign operation, all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS - Cash and cash equivalents in the statement of cash flows comprise cash on hand and at bank that are subject to an insignificant risk of changes in value.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

Management is of the opinion that any instances of application of judgements are not expected to have a significant effect on the amounts recognised in the financial statements apart from those involving estimation uncertainties which are dealt with below.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that will have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

(i) Allowances for receivables

The allowances for receivables are based on ongoing evaluation of recoverability and aging 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 debtor. Management is of the view that the allowances disclosed in Note 7 are adequate.

(ii) Allowances for inventories

A review is made periodically for excess inventory, obsolescence and declines in net realisable value below cost and management records an allowance against the inventory balance for any such declines. These reviews require management to estimate future demand for their products. Possible changes in these estimates could result in revisions to the valuation of inventory. Management is of the view that the allowances disclosed in Note 8 are adequate.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

Key sources of estimation uncertainty (cont'd)

(iii) Impairment of property, plant and equipment

The Group assesses whether there are any indicators of impairment for its property, plant and equipment at each reporting date. Property, plant and equipment are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of property, plant and equipment is disclosed in Note 9 to the financial statements.

(iv) Fair value measurement of investment property

The Group's investment property is stated at estimated fair value, as accounted for by management based on independent external appraisals. The estimated fair value may differ from the price at which the Group's assets could be sold at a particular time, since actual selling prices are negotiated between willing buyers and sellers. Also, certain estimates such as overall market conditions require an assessment of factors not within management's control. As a result, actual results of operations and realisation of net assets may vary significantly from that estimated. The carrying amount of investment property at the end of the reporting period and information about the valuation techniques and inputs used in determining the fair value of investment property are disclosed in Note 10 to the financial statements.

(v) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Based on calculations performed, management is of the view that no impairment charges are required for the financial years ended 30 June 2018 and 30 June 2017. Further details are disclosed in Note 11 to the financial statements.

(vi) Impairment of subsidiaries

In determining whether investments in subsidiaries are impaired, the Company evaluates the market and economic environment in which each subsidiary operates and its economic performance to determine if indicators of impairment exist. Where such indicators exist, the subsidiary's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Based on the value in use calculations referred to in Note 3(v), management is of the view that a $2,700,000 impairment charge is required for the financial year ended 30 June 2018 (2017 : $Nil). The carrying amount of investments in subsidiaries is disclosed in Note 12 to the financial statements.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

(a) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	31,310	33,404	7,115	6,918
Financial liabilities				
Amortised cost	45,253	52,213	33,361	35,693

(b) Financial risk management policies and objectives

(i) Foreign exchange risk management

The Group's foreign currency exposures arise mainly from the exchange rate movements of the United States dollar against the Singapore dollar.

At the reporting date, significant carrying amounts of monetary assets and liabilities denominated in currencies other than the group entities' functional currencies are as follows:

	Assets		Liabilities	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Group				
United States dollar	5,074	4,339	2,175	48

Foreign currency sensitivity

The sensitivity rate used when reporting foreign currency risk exposures internally to key management personnel is 10%, which represents management's assessment of the possible change in foreign exchange rates.

If the United States dollar were to strengthen/weaken by 10% against the Singapore dollar, the Group's profit before tax will increase/decrease by $290,000 (2017 : $429,000).

The Company does not have any significant foreign currency denominated financial instruments.

(ii) Interest rate risk management

The Group is exposed to interest rate risk mainly through its variable rate borrowings as disclosed in Note 13.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(b) Financial risk management policies and objectives (cont'd)

(ii) Interest rate risk management (cont'd)

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for financial instruments at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point increase is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

If interest rates had been 50 basis points higher/lower during the year and all other variables were held constant, the Group's profit before tax would decrease/increase by $174,000 (2017 : $226,000).

If interest rates had been 50 basis points higher/lower during the year and all other variables were held constant, the Company's profit before tax would decrease/increase by $29,000 (2017 : $40,000).

(iii) Credit risk management

The Group has adopted procedures in extending credit terms to customers and in monitoring its credit risk. The Group only grants credit to creditworthy counterparties. Cash and bank balances are held with creditworthy financial institutions.

Trade receivables consist of a large number of customers, spread across diverse industries. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

There are no individual debtors of the Group that individually represented 10% or more of trade receivables as at 30 June 2018 and 30 June 2017.

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statement of financial position.

Further details of credit risks on trade and other receivables are disclosed in Note 7.

(iv) Liquidity risk management

The Group monitors its liquidity risk and maintains a level of bank balances deemed adequate by management to finance its operations and to mitigate the effects of fluctuations in cash flows. Liquidity risk is further managed by matching the payment and receipt cycle.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(b) Financial risk management policies and objectives (cont'd)

(iv) Liquidity risk management (cont'd)

Liquidity and interest risk analyses

Non-derivative financial liabilities

The following table details the remaining contractual maturity for non-derivative financial liabilities. The table below has been drawn up based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial liabilities on the statement of financial position.

	Weighted average effective interest rate	**On demand or within 1 year**	**Within 2 to 5 years**	**Adjustment**	**Total**
	%	**$'000**	**$'000**	**$'000**	**$'000**
Group					
2018					
Non-interest bearing	–	10,307	–	–	10,307
Fixed interest rate instruments	4.0	127	11	(4)	134
Variable interest rate instruments	2.5	30,951	4,736	(875)	34,812
Total		41,385	4,747	(879)	45,253
2017					
Non-interest bearing	–	6,800	–	–	6,800
Fixed interest rate instruments	5.3	165	69	(4)	230
Variable interest rate instruments	2.7	38,934	7,462	(1,213)	45,183
Total		45,899	7,531	(1,217)	52,213
Company					
2018					
Non-interest bearing	–	27,660	–	–	27,660
Variable interest rate instruments	3.3	1,810	4,080	(189)	5,701
Total		29,470	4,080	(189)	33,361
2017					
Non-interest bearing	–	27,685	–	–	27,685
Variable interest rate instruments	3.9	2,379	6,010	(381)	8,008
Total		30,064	6,010	(381)	35,693

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(b) Financial risk management policies and objectives (cont'd)

(iv) Liquidity risk management (cont'd)

Non-derivative financial assets

All financial assets of the Group and the Company are due within one year from the end of the reporting period and are non-interest bearing.

The Company issued guarantees for bank loans to the extent of $29,111,000 (2017 : $37,175,000) to banks. The earliest period that the guarantee could be called is within 1 year from the end of the reporting period. Management considers that it is more likely than not that no amount will be payable under these financial guarantee arrangements.

(v) Fair values of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other receivables and payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments. Management is of the view that the carrying amount of loans approximates the fair value, as the interest rates approximate the prevailing market rates.

The Group and the Company have no financial assets or financial liabilities that are measured at fair value on a recurring basis.

(c) Capital management policies and objectives

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued capital, reserves and retained earnings.

5 RELATED PARTY TRANSACTIONS

Some of the Group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand.

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	Group	
	2018	**2017**
	$'000	**$'000**
Short-term benefits	1,125	1,112
Post-employment benefits	32	25
	1,157	1,137

6 CASH AND CASH EQUIVALENTS

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Cash on hand	17	17	1	1
Cash at bank	18,248	20,925	878	556
	18,265	20,942	879	557

7 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Trade receivables:				
Outside parties	14,001	12,256	–	–
Allowance for doubtful receivables	(2,028)	(1,705)	–	–
	11,973	10,551	–	–
Other receivables:				
Outside parties	1,072	1,911	–	–
Subsidiaries	–	–	18,173	18,298
Allowance for doubtful receivables	–	–	(11,937)	(11,937)
Prepayments	2,080	463	110	29
	3,152	2,374	6,346	6,390
	15,125	12,925	6,346	6,390

The average credit period on sale of goods is 30 days (2017 : 30 days). No interest is charged on the balance outstanding. Allowance for doubtful receivables are recognised against debtors in financial difficulty and/or have defaulted in payment.

The other receivables due from subsidiaries are unsecured, interest free and repayable on demand.

The Group assesses all receivables on an individual debtor basis, using the steps detailed in Note 3(i).

Movements in the allowances for doubtful receivables

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Balance at beginning of the year	1,705	1,581	11,937	11,937
Increase in allowance recognised in profit or loss (Note 20)	403	150	–	–
Amounts written off against allowance	(80)	(26)	–	–
Balance at end of the year	2,028	1,705	11,937	11,937

During the financial year, receivables amounting to $24,000 (2017 : $Nil) were written off directly to profit or loss (Note 20).

7 TRADE AND OTHER RECEIVABLES (cont'd)

Included in the Group's trade receivable balance are debtors with a carrying amount of $5,810,000 (2017 : $6,053,000) which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful receivables as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

The aging profile of these receivables is as follows:

	Group	
	2018	**2017**
	$'000	**$'000**
Past due 0 to 3 months	3,707	4,021
Past due 4 to 6 months	1,455	1,427
Past due exceeding 6 months	648	605
	5,810	6,053

Management is of the view that trade and other receivables that are not past due and not impaired are of good credit quality.

8 INVENTORIES

	Group	
	2018	**2017**
	$'000	**$'000**
Trading inventories	24,119	27,954
Less: Allowance for inventories	(278)	(1,145)
	23,841	26,809

Movement in the allowance for inventories

	Group	
	2018	**2017**
	$'000	**$'000**
Balance at the beginning of year	1,145	2,507
Amounts utilised against allowance	(867)	(1,362)
Balance at the end of the year	278	1,145

The cost of inventories recognised as expense and included in cost of sales amounted to $44,040,000 (2017 : $51,373,000).

During the financial year, the Group transferred $1,763,000 (2017 : $1,835,000) from inventories to property, plant and equipment for rental purposes.

9 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Air-conditioners, electrical installations and computers	Containers, renovations and warehouse	Furniture, fittings and office equipment	Plant, machinery and material handling equipment	Motor vehicles, trucks and cranes	Rental materials	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Group								
Cost:								
At 1 July 2016	14,525	917	2,802	789	23,541	4,279	28,642	75,495
Arising from acquisitions of subsidiaries (Note 25)	3,500	11	42	144	1,663	380	–	5,740
Additions	–	80	161	80	986	639	–	1,946
Disposal/Written off	–	(2)	(11)	–	(771)	(311)	(491)	(1,586)
Written back	–	–	–	–	–	–	303	303
Transferred from inventories	–	–	–	–	–	–	1,835	1,835
At 30 June 2017	18,025	1,006	2,994	1,013	25,419	4,987	30,289	83,733
Additions	–	88	–	20	1,156	979	44	2,287
Disposal/Written off	–	–	(98)	(6)	(236)	(409)	(1,317)	(2,066)
Transferred from inventories	–	–	–	–	–	–	1,763	1,763
At 30 June 2018	18,025	1,094	2,896	1,027	26,339	5,557	30,779	85,717
Accumulated depreciation:								
At 1 July 2016	6,737	682	2,191	569	18,163	2,574	4,694	35,610
Depreciation charge	1,652	184	212	71	2,202	626	1,445	6,392
Disposal/Written off	–	(2)	(4)	(14)	(378)	(254)	(35)	(687)
Written back	–	–	–	–	–	–	16	16
At 30 June 2017	8,389	864	2,399	626	19,987	2,946	6,120	41,331
Depreciation charge	1,675	200	185	43	1,550	677	1,477	5,807
Disposal/Written off	–	–	(62)	(2)	(211)	(352)	(185)	(812)
At 30 June 2018	10,064	1,064	2,522	667	21,326	3,271	7,412	46,326
Carrying amount:								
At 30 June 2018	7,961	30	374	360	5,013	2,286	23,367	39,391
At 30 June 2017	9,636	142	595	387	5,432	2,041	24,169	42,402

Property, plant and equipment written off mainly relates to rental materials that are misplaced or damaged in the ordinary course of business.

The carrying amount of the Group's property, plant and equipment includes an amount of $64,000 (2017 : $175,000) in respect of assets held under finance leases.

Certain banking facilities of the Group are secured by mortgage of leasehold land and buildings of the Group with carrying amount of $5,795,000 (2017 : $6,848,000).

9 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Particulars of the leasehold properties held by the Group as at 30 June 2018 and 30 June 2017 are as follows:

Location	Description	Tenure
12 Gul Road Singapore 629343	Yard-cum-factory with land area of 32,986 square metres	13 years ending 7 August 2020
14 Gul Road Singapore 629344	Yard with land area of 21,089 square metres	30 years ending 15 January 2040
41 Middle Road #03-00 Singapore 188950	Office of 94 square metres	999 years ending 29 January 2834
39 Senoko Drive Singapore 758224	Purpose-built single-storey detached factory with a two-storey office block with land area of 5,460 square metres	15 years ending 30 September 2020
20 Third Chin Bee Road Singapore 618639	Two-storey main building with a rear workshop and a side shed with land area of 5,399 square metres	17 years ending 31 July 2024

Company

The Company's property, plant and equipment mainly comprise air-conditioners, electrical installations and computers and motor vehicles with cost of $507,000 (2017 : $497,000) and accumulated depreciation of $351,000 (2017 : $284,000). Additions for the year amounted to $10,000 (2017 : $161,000) and depreciation for the year amounted to $67,000 (2017 : $86,000).

10 INVESTMENT PROPERTY

	Group	
	2018	**2017**
	$'000	**$'000**
Beginning of financial year	10,937	10,937
Fair value loss recognised in profit or loss (Note 20)	(437)	–
End of financial year	10,500	10,937

The fair value of the Group's investment property at year end has been determined on the basis of valuation carried out at the year end date by an independent valuer with a recognised and relevant professional qualification and experience in the location and category of the properties being valued, and not related to the Group. The fair value was determined based on transacted prices for similar properties, adjusted for comparability. As these adjustments constitute significant unobservable inputs, the fair value measurement of the investment property is categorised into Level 3 of the fair value hierarchy. There were no transfers between the respective levels during the years ended 30 June 2018 and 30 June 2017.

In estimating the fair value of the property, the highest and best use of the property is their current use. There has been no change to the valuation technique during the year.

10 INVESTMENT PROPERTY (cont'd)

The property rental income from the investment property, all of which are leased out under operating leases, amounted to $1,100,000 (2017 : $778,000). Direct operating expenses (including repairs and maintenance) arising from rental-generating investment property amounted to $552,000 (2017 : $519,000).

The Group considers the adjusted price per square metre used by the independent valuers in determining the fair value measurement of the Group's investment property as sensitive to the fair value measurement. The higher (lower) the transacted price per square metre, the higher (lower) the fair value.

Investment property is mortgaged to secure bank loans (Note 13).

Particulars of the investment property held by the Group as at 30 June 2018 and 30 June 2017 are as follows:

Location	**Description**	**Title**
1,3,5,7 Gul Road Singapore 629362, 629339, 629363, 629364 (Lot 4085T, Mukim 7)	Yard-cum-factory warehouse with land area of 15,665 square metres	Leasehold (21 years ending 12 September 2027)

11 GOODWILL

	Group	
	2018	**2017**
	$'000	**$'000**
Beginning of financial year	9,683	7,733
Arising on acquisitions of subsidiaries (Note 25)	–	1,950
End of financial year	9,683	9,683

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from that business combination. The allocation is as follows:

	Group	
	2018	**2017**
	$'000	**$'000**
Scaffolding services CGU:		
(Hock Ann Metal Scaffolding Pte Ltd)	7,403	7,403
Marine deck equipment CGU:		
(Transvictory Holdings Pte Ltd and its subsidiaries)	1,550	1,550
Other CGUs with insignificant goodwill:	730	730
	9,683	9,683

11 GOODWILL (cont'd)

Goodwill is tested annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the CGUs are determined using value in use calculations, derived from the most recent financial budgets approved by management for the next five years. Key assumptions as follows:

	Estimated average growth rate		Discount rate	
	2018	**2017**	**2018**	**2017**
Scaffolding services CGU	0.0%	2.0%	7.0%	7.5%
Marine deck equipment CGU	3.0%	5.0%	8.4%	7.0%

Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry forecasts.

Based on calculations performed, management is of the view that no impairment charges are required. Any reasonably possible change to the key assumptions applied is not likely to cause the recoverable amount to be below the carrying amount.

12 SUBSIDIARIES

	Company	
	2018	**2017**
	$'000	**$'000**
Unquoted equity shares, at cost	59,802	59,802
Less: Allowance for impairment	(4,700)	(2,000)
	55,102	57,802

Movement in the allowance for impairment

	Company	
	2018	**2017**
	$'000	**$'000**
Balance at the beginning of year	2,000	2,000
Increase in allowance recognised in profit or loss	2,700	–
Balance at the end of the year	4,700	2,000

12 SUBSIDIARIES (cont'd)

During the prior year, the Group acquired certain subsidiaries. Further details are disclosed in Note 25. The Group's subsidiaries as at the end of the current and prior financial years are listed in the table below.

Name of subsidiary	Principal activities	Place of incorporation and business	Effective equity interest and voting power held	
			2018	2017
			%	%
Held by the Company				
Union Steel Pte Ltd[(1)]	Trading of steel products	Singapore	100	100
YLS Steel Pte Ltd[(1)]	Recycling 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)]	Trading of ferrous and non-ferrous scrap metals	Singapore	100	100
Union Engineering Pte Ltd[(1)]	Investment property holding and rental of properties	Singapore	100	100
Hock Ann Metal Scaffolding Pte Ltd[(1)]	Scaffolding services	Singapore	100	100
Gee Sheng Machinery & Engineering Pte Ltd[(2)]	Mechanical engineering services	Singapore	100	100
Transvictory Holdings Pte Ltd[(2)]	Investment holding	Singapore	100	100
Held by subsidiaries				
Hock Ann Marine Scaffolding Pte Ltd[(1)]	Scaffolding services	Singapore	100	100
Union CHH Sdn Bhd[(2)]	Inactive	Malaysia	100	100
Transvictory Winch System Pte Ltd[(2)]	Sale of marine deck equipment	Singapore	100	100
Steadfast Offshore & Marine Pte Ltd[(2)]	Sale of marine deck equipment	Singapore	100	100
Megafab Engineering Pte Ltd[(2)]	Equipment and related installation of industrial machinery, mechanical engineering work	Singapore	70	70
MegaCrane Pte Ltd[(2)(3)]	Industrial crane services	Singapore	–	60
Used Equipment Pte Ltd[(4)]	Online portal for sales of industrial equipment	Singapore	100	–
YLS Holdings Sdn Bhd[(4)(5)]	Investment holding	Malaysia	40	–

12 SUBSIDIARIES (cont'd)

(1) Audited by Deloitte & Touche LLP, Singapore.

(2) Statutory audits performed by other audit firms. Audited or reviewed by Deloitte & Touche LLP, Singapore for consolidation purposes.

(3) Disposed of during the financial year for cash consideration of $27,000. Management is of the view that the subsidiary was not material to the Group. Accordingly, further disclosures relating to the disposal have not been made.

(4) Incorporated during the financial year. No statutory audit required for financial period from incorporation to 30 June 2018. The entity was reviewed by Deloitte & Touche LLP, Singapore for consolidation purposes.

(5) The company is considered a subsidiary as the Group has the rights to appoint 2 out of 3 members of its board of directors. The board of directors has the power to direct the relevant activities of YLS Holdings Sdn Bhd.

Subsidiaries with non-controlling interests

Management is of the view that the non-controlling interests are not material to the Group. Accordingly, disclosures otherwise required by FRS 112 *Disclosure of Interests in Other Entities* have not been made.

13 BANK LOANS AND BILLS PAYABLE

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Bills payable to banks	3,995	3,692	–	–
Bank loans	30,817	41,491	5,701	8,008
Less: Amount due for settlement within 12 months (shown under current liabilities)	(30,192)	(37,916)	(1,752)	(2,290)
Amount due for settlement after 12 months	4,620	7,267	3,949	5,718

Bank loans are arranged at floating interest rates that ranged from 1.9% to 3.8% (2017 : 1.8% to 4.5%) per annum with periodic repayment over 1 to 13 years.

Management is of the view that the carrying amount of the loans approximates their fair values as interest rates are repriced to market rates at regular intervals.

The loans are secured by the following:

a) Leasehold land and buildings (Note 9);
b) Investment property (Note 10);
c) Corporate guarantees by the Company; and
d) Charge over shares of a subsidiary.

Reconciliation of liabilities arising from financing activities

Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities. The Group's liabilities arising from financing activities comprise bank loans and bills payable and finance lease liabilities. There are no non-cash changes for the year ended 30 June 2018.

14 TRADE AND OTHER PAYABLES

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Trade payables - outside parties	5,843	3,278	–	–
Rental deposits	1,039	1,009	–	–
Advances from customers	1,249	1,871	–	–
Accruals for operating expenses	1,761	1,649	410	460
Other payables - subsidiaries	–	–	27,250	27,225
Other payables - outside parties	1,664	864	–	–
	11,556	8,671	27,660	27,685

The average credit period on purchases of goods is 30 days (2017 : 30 days). No interest is charged on outstanding balances. Other payables due to subsidiaries were unsecured, interest free and repayable on demand.

15 DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the group and the company, and the movements thereon, during the current and prior reporting periods:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Beginning of financial year	(3,272)	(3,582)	(39)	(39)
Arising from acquisitions of subsidiaries (Note 25)	–	(192)	–	–
Credited to profit or loss (Note 22)	217	502	–	–
End of financial year	(3,055)	(3,272)	(39)	(39)

The following is the analysis of the deferred tax balances (after offset) for statement of financial position purposes:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Deferred tax assets	65	–	–	–
Deferred tax liabilities	(3,120)	(3,272)	(39)	(39)
End of financial year	(3,055)	(3,272)	(39)	(39)

Deferred tax assets (liabilities) arise mainly from the surplus (excess) of tax over book depreciation of property, plant and equipment.

16 SHARE CAPITAL

	Group and Company			
	2018	2017	2018	2017
	Number of ordinary shares ('000)		$'000	$'000
Issued and fully paid:				
At the beginning and end of the financial year	39,378	39,378	36,603	36,603

Fully paid ordinary shares, which have no par value, carry one vote per share and a right to dividends as and when declared by the Company.

17 CAPITAL RESERVE

Capital reserve arose due to an increase in ownership interest in a subsidiary during prior years. The balance represents the difference between the fair value of consideration paid and the carrying amount of non-controlling interests acquired.

18 REVENUE

	Group	
	2018	2017
	$'000	$'000
Sale of goods	45,705	59,169
Rental income from rental of materials and equipment	7,183	5,891
Service income from scaffolding services	6,225	7,699
Engineering services	8,379	4,041
Other service income	1,875	1,845
	69,367	78,645

19 OTHER INCOME

	Group	
	2018	2017
	$'000	$'000
Transportation income	98	221
Interest income	71	13
Recovery of receivables previously written off	549	681
Property, plant and equipment written back (Note 9)	–	287
Gain on disposal of property, plant and equipment	–	41
Rental of leasehold properties (Note 26(iii))	2,607	3,700
Rental of investment property (Notes 10 and 26(iii))	1,100	778
Gain on disposal of subsidiary	16	–
Others	641	1,012
	5,082	6,733

20 OTHER OPERATING EXPENSES

	Group 2018 $'000	Group 2017 $'000
Allowance for doubtful receivables (Note 7)	403	150
Receivables written off	24	–
Property, plant and equipment written off (Note 9)	274	218
Fair value loss on investment property (Note 10)	437	–
Amortisation of other intangible asset	–	501
Land rent (Note 26(i))	1,325	1,382
Rental expense (Note 26(ii))	2,714	2,894
Net foreign exchange loss	154	307
Loss on disposal of property, plant and equipment	176	–
Others	197	551
	5,704	6,003

21 FINANCE COSTS

	Group 2018 $'000	Group 2017 $'000
Interest on bills payable	30	97
Interest on bank loans	975	1,171
Interest on obligations under finance leases	7	10
	1,012	1,278

22 INCOME TAX

	Group 2018 $'000	Group 2017 $'000
Current tax expense	(402)	(255)
Overprovision of current tax in prior years	408	–
Deferred tax (Note 15)	217	502
	223	247

22 INCOME TAX (cont'd)

Income tax for the period can be reconciled to the accounting profit as follows:

	Group	
	2018	2017
	$'000	$'000
Profit before tax	571	1,315
Tax expense calculated at statutory rate of 17% (2017 : 17%)	(97)	(224)
Non deductible items - net	(323)	(279)
Deferred tax assets not recognised	(49)	–
Overprovison of current tax in prior years	408	–
Utilisation of previously unabsorbed losses and capital allowances	249	750
Others	35	–
	223	247

The Group has unabsorbed tax losses and unutilised capital allowances of approximately $2.8 million (2017 : $2.9 million). The resulting deferred tax asset has not been recognised in the financial statements due to the unpredictability of future profit streams.

The use of these potential tax benefits is subject to the agreement of the Inland Revenue Authority of Singapore and compliance with certain provisions of the Singapore Income Tax Act.

23 PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	Group	
	2018	2017
	$'000	$'000
Directors' remuneration:		
- of the Company	864	859
- of the subsidiaries	562	397
Employee benefits expense (including directors' remuneration)	9,783	10,023
Cost of defined contribution plans included in employee benefits expense	570	590
Audit fees:		
- paid/payable to auditors of the Company	191	195
- paid/payable to other auditors	41	52

24 EARNINGS PER SHARE

Earnings per share for the financial year ended 30 June 2018 has been calculated based on the profit for the year attributable to owners of the Company of $970,000 and 39,378,000 shares.

Earnings per share for the financial year ended 30 June 2017 has been calculated based on the profit for the year attributable to owners of the Company of $1,409,000 and 39,378,000 shares.

25 ACQUISITIONS OF SUBSIDIARIES IN PRIOR YEAR

During the prior year, the Group undertook the following acquisitions:

Acquisition dates	Subsidiaries	Consideration transferred
29 November 2016	Megafab Engineering Pte Ltd ("MGF")	$900,000 in cash
8 July 2016	Transvictory Holdings Pte Ltd and its subsidiaries, Transvictory Winch System Pte Ltd and Steadfast Offshore & Marine Pte Ltd, collectively referred to as Transvictory Group ("TVG")	$15,000,000 in cash

The Group sees acquisitions as a means of diversifying its business. The principal activities of the subsidiaries and ownership interests acquired are disclosed in Note 12.

Acquisition-related costs amounting to $137,000 were excluded from consideration transferred and recognised in profit or loss under administrative expenses for the financial year ended 30 June 2017.

Identifiable assets acquired and liabilities assumed (at acquisition date fair values)

	TVG	MGF
	$'000	**$'000**
Current assets:		
Cash and cash equivalents	1,113	272
Trade and other receivables	2,310	1,807
Inventories	11,936	1,379
Non-current asset:		
Property, plant and equipment	5,561	179
Current liabilities:		
Trade and other payables	(7,053)	(2,441)
Bank loans and bills payable	(44)	(445)
Finance leases	(71)	–
Non-current liabilities:		
Finance leases	(114)	(32)
Deferred tax liabilities	(188)	(4)
Identifiable net assets acquired	13,450	715

Goodwill arising on acquisition

	TVG	MGF
Consideration transferred	15,000	900
Add: Non-controlling interests	–	215
Less: Identifiable net assets acquired (at acquisition date fair values)	(13,450)	(715)
Goodwill arising on acquisition	1,550	400

Goodwill arose because consideration paid effectively included amounts for expected synergies, revenue growth, future market development and the assembled workforce. These benefits were not recognised separately from goodwill because they did not meet the recognition criteria for identifiable intangible assets.

None of the goodwill or arising on these acquisitions is expected to be deductible for tax purposes.

25 ACQUISITIONS OF SUBSIDIARIES IN PRIOR YEAR (cont'd)

Net cash outflow on acquisitions of subsidiaries

	TVG	MGF
	$'000	**$'000**
Consideration paid in cash	15,000	900
Less: Cash and cash equivalents acquired	(1,113)	(272)
Less: Deposit paid in prior year	(1,960)	–
	11,927	628

Impact of acquisitions on the results of the Group

Included in profit for the year ended 30 June 2017 was $0.3 million attributable to the additional business generated by TVG, and $0.5 million attributable to the additional business generated by MGF. Revenue from TVG and MGF for the year ended 30 June 2017 amounted to $4.3 million and $1.1 million respectively.

Management is of the view that the Group's revenue and profit for the year ended 30 June 2017 would not have been significantly different had these acquisitions been effected on 1 July 2016.

26 COMMITMENTS

(i) Land rent

The Group is required to pay JTC Corporation ("JTC") and Mapletree Logistics Trust ("Mapletree") annual land rent in respect of its leasehold land and buildings (Note 9), investment property (Note 10), and offices, premises and warehouse held under operating leases. The annual land rent payable is based on the market land rent in the relevant year of the lease term. However, the lease agreement limits any increase in the annual land rent from year to year to 5.5% of the annual land rent for the immediate preceding year.

The land rent paid/payable to JTC and Mapletree for the financial year amounted to $1,325,000 (2017 : $1,382,000).

The estimated future land rent payable as at the end of the reporting period is as follows:

	Group	
	2018	**2017**
	$'000	**$'000**
Not later than one year	1,325	1,382
Later than one year but not later than five years	3,065	2,749
After five years	7,036	8,007
	11,426	12,138

26 COMMITMENTS (con'd)

(ii) The Group as lessee

At the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases of offices, premises, warehouse and yard which fall due as follows:

	Group	
	2018	**2017**
	$'000	**$'000**
Not later than one year	1,783	2,916
Later than one year but not later than five years	692	2,169
	2,475	5,085

The rental expense for the financial year amounted to $2,714,000 (2017 : $2,894,000). The leases have terms from 1 to 6 years (2017 : 1 to 6 years) from inception.

(iii) The Group as lessor

The Group leases out certain portions of its investment property, land and buildings and warehouse to non-related parties under non-cancellable operating leases.

The future minimum lease receivables under non-cancellable operating leases contracted for at the end of the financial year are as follows:

	Group	
	2018	**2017**
	$'000	**$'000**
Not later than one year	2,243	2,559
Later than one year but not later than five years	350	–
	2,593	2,559

The rental income for the financial year amounted to $3,707,000 (2017 : $4,478,000). The leases have terms of 1 to 3 years (2017 : 1 to 3 years).

Revenue from rental of materials and equipment is disclosed in Note 18. These leases are arranged on a rolling basis with no fixed tenure.

27 SEGMENT INFORMATION

The Group's reportable segments under FRS 108 *Operating Segments* are as follows:

- Recycling sales - import and export of scrap iron and steel, ferrous and non-ferrous metals.
- Trading sales - sale of steel and stainless steel products.
- Scaffolding services - provision of scaffolding services and related consultancy services.
- Mechanical engineering - civil construction and engineering work, and manufacturing of motor vehicle bodies, trailers and semi-trailers.
- Industrial cranes - sale, repair and servicing of cranes.
- Marine deck equipment - sale, repair and rental of marine deck equipment.
- Other business - income from rental of materials and provision of waste management services.

The following is an analysis of the Group's revenue and results by reportable segment:

	Revenue		Net (loss) profit	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Recycling sales	32,190	39,798	(592)	292
Trading sales	11,551	16,869	(937)	(1,014)
Scaffolding services	6,312	7,909	1,115	1,064
Mechanical engineering	4,554	2,714	(573)	(1,204)
Industrial cranes	3,826	824	(284)	542
Marine deck equipment	4,091	4,346	608	359
Other business	6,843	6,185	2,360	1,814
Total	69,367	78,645	1,697	1,853
Fair value loss on investment property			(437)	–
Rental income from investment property			1,100	778
Unallocated corporate expenses			(2,152)	(2,293)
Other income			1,375	2,255
Finance costs			(1,012)	(1,278)
Profit before tax			571	1,315

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current and prior years.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Segment profit represents the profit earned by each segment without allocation of central administration costs, rental income from property, fair value changes on investment property, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

27 SEGMENT INFORMATION (cont'd)

Segment assets

	2018	2017
	$'000	$'000
Recycling sales	28,410	26,734
Trading sales	5,805	12,243
Scaffolding services	15,415	16,755
Mechanical engineering	4,595	5,258
Industrial cranes	3,330	3,979
Marine deck equipment	22,042	20,802
Other business	25,587	25,060
Total segment assets	105,184	110,831
Investment property	10,500	10,937
Other unallocated assets	1,387	2,131
Total assets	117,071	123,899

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision maker monitors the assets attributable to each segment.

Geographical information

The Group operates mainly in Singapore. The Group's revenue from external customers and information about its segment assets are detailed below:

	Revenue from external customers		Non-current assets	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Singapore	43,592	43,163	59,840	63,223
Malaysia	8,827	10,851	–	–
Indonesia	3,778	5,545	–	–
India	6,847	12,100	–	–
Bangladesh	1,039	802	–	–
Japan	–	1,044	–	–
Korea	901	1,369	–	–
China (inclusive of Hong Kong)	1,182	2,582	–	–
Australia	827	–	–	–
Nigeria	760	–	–	–
Others	1,614	1,189	–	–
	69,367	78,645	59,840	63,223

Information about major customers

There were no customers which accounted for 10% or more of the Group's revenue.

27 SEGMENT INFORMATION (cont'd)

Other segment information

	Depreciation and amortisation		Additions to non-current assets	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Recycling sales	1,138	1,136	866	678
Trading sales	765	772	78	–
Scaffolding services	615	1,749	141	435
Mechanical engineering	563	622	–	13
Industrial crane	102	35	267	154
Marine deck equipment	882	842	880	488
Other business	1,742	1,737	55	2,013
Total	5,807	6,893	2,287	3,781

28 NEW AND REVISED STANDARDS

On 1 July 2017, the Group adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years.

29 PRONOUNCEMENTS ISSUED BUT NOT YET EFFECTIVE

Adoption of a new financial reporting framework in 2018

In December 2017, the Accounting Standards Council (ASC) has issued a new financial reporting framework - Singapore Financial Reporting Standards (International) (SFRS(I)), which is to be adopted by Singapore-incorporated companies listed on the Singapore Exchange (SGX), for annual periods beginning on or after 1 January 2018. SFRS(I) is identical to the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Group and the Company will be adopting the new framework for the first time for financial year ending 30 June 2019 and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* will be applied in the first set of SFRS(I) financial statements.

SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*

As a first-time adopter, the Group and the Company are to apply retrospectively, accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (30 June 2019), except for areas of exceptions and optional exemptions set out in SFRS(I) 1. In the first set of SFRS(I) financial statements for the financial year ending 30 June 2019, an additional opening statement of financial position as at date of transition (1 July 2017) will be presented, together with related notes. Reconciliation statements from previously reported FRS amounts and explanatory notes on transition adjustments are required for equity as at the date of transition (1 July 2017) and as at the end of the last financial period under FRS (30 June 2018), and for total comprehensive income and cash flows reported for the last financial period under FRS (for the year ended 30 June 2018). Additional disclosures may also be required for specific transition adjustments if applicable.

29 PRONOUNCEMENTS ISSUED BUT NOT YET EFFECTIVE (cont'd)

New SFRS(I) that may have impact

The following SFRS(I) pronouncements are expected to have an impact to the Group and the Company in the periods of their initial application under the new SFRS(I) framework:

Effective for annual periods beginning on or after 1 January 2018

- SFRS(I) 9 *Financial Instruments*
- SFRS(I) 15 *Revenue from Contracts with Customers*

Effective for annual periods beginning on or after 1 January 2019

- SFRS(I) 16 *Leases*

SFRS(I) 9 *Financial Instruments*

SFRS(I) 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting and (iii) impairment requirements for financial assets.

Key requirements of SFRS(I) 9 that are relevant to the Group:

- In relation to the impairment of financial assets, SFRS(I) 9 requires an expected credit loss model to be applied. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

SFRS(I) 15 *Revenue from Contracts with Customers*

SFRS(I) 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers.

The core principle of SFRS(I) 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under SFRS(I) 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. More prescriptive guidance has been added in SFRS(I) 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by SFRS(I) 15.

29 PRONOUNCEMENTS ISSUED BUT NOT YET EFFECTIVE (cont'd)

New SFRS(I) that may have impact (cont'd)

SFRS(I) 16 *Leases*

The standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts, are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exemptions for short-term leases and leases of low value assets). The standard maintains substantially the lessor accounting approach under the existing framework.

Management does not plan to early adopt SFRS(I) 16 for the financial year ending 30 June 2019.

SHAREHOLDING STATISTICS

As at 17 September 2018

Number of shares (excluding treasury shares and subsidiary holdings)	:	39,378,100
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share
No. of treasury shares and percentage	:	Nil
No. of subsidiary holdings held and percentage	:	Nil

Distribution of shareholdings as at 17 September 2018

Size of shareholdings	No. of shareholders	%	No. of Shares	%
1 - 99	46	3.37	429	0.00
100 - 1,000	489	35.80	322,772	0.82
1,001 - 10,000	670	49.05	2,614,277	6.64
10,001 - 1,000,000	157	11.49	9,800,539	24.89
1,000,001 and above	4	0.29	26,640,083	67.65
Total	1,366	100.00	39,378,100	100.00

Twenty largest shareholders as at 17 September 2018

No.	Name of shareholders	No. of shares	%
1	Ang Yu Seng	13,724,840	34.85
2	Goi Seng Hui	8,451,500	21.46
3	Ang Yew Chye	3,343,343	8.49
4	Lian Bee Metal Pte Ltd	1,120,400	2.85
5	Citibank Nominees Singapore Pte Ltd	717,600	1.82
6	Wilson Ong (Wilson Wang)	670,100	1.70
7	Lim & Tan Securities Pte Ltd	512,600	1.30
8	Phillip Securities Pte Ltd	497,810	1.27
9	Chew Ghim Bok	450,000	1.14
10	UOB Kay Hian Pte Ltd	369,600	0.94
11	Ang Jun Long	358,200	0.91
12	Leh Bee Hoe	263,600	0.67
13	United Overseas Bank Nominees Pte Ltd	208,901	0.53
14	Cheng Buck Poh @Chng Bok Poh	203,400	0.52
15	Lim Puay Lan	197,300	0.50
16	CGS-CIMB Securities (S) Pte Ltd	195,362	0.50
17	DBS Nominees Pte Ltd	172,800	0.44
18	Maybank Kim Eng Securities Pte Ltd	165,900	0.42
19	Seah Kiok Leng	159,300	0.40
20	Lim Ah Kaw @ Lim Lan Ching	149,690	0.38
	Total:	31,932,246	81.09

SHAREHOLDING STATISTICS

As at 17 September 2018

Substantial Shareholders as at 17 September 2018

	Direct Interest		Deemed Interest	
Name	**Number of Shares**	**(%)**	**Number of Shares**	**(%)**
Ang Yu Seng	13,724,840	34.85	–	–
Goi Seng Hui	8,451,500	21.46	–	–
Ang Yew Chye	3,343,343	8.49	–	–

As at 17 September 2018, 35.16% 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 OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of Union Steel Holdings Limited ("**Company**") will be held at 33 Pioneer Road North Singapore 628474 on Monday, 22 October 2018 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements and Directors' Statement of the Company and the Group for the financial year ended 30 June 2018 together with the Auditors' Report thereon.

   Resolution 1

2. To declare a final dividend of 1.20 cents per share tax exempt (one-tier) for the financial year ended 30 June 2018.

   Resolution 2

3. To approve the payment of Directors' fees of S$13,000 to Mr. Goi Kok Neng for the financial year ended 30 June 2018.

   Resolution 3

4. To approve the payment of Directors' fees of S$163,800 for the financial year ending 30 June 2019, payable half yearly in arrears. (2018: S$130,000)

   Resolution 4

5. To re-elect the following Directors of the Company who retire pursuant to Regulations 91 and 97 of the Constitution of the Company:

   <u>Regulation 91</u>

   Mr. Ang Yu Seng **Resolution 5**
   Ms. Tan Min-Li **Resolution 6**

   <u>Regulation 97</u>

   Mr. Goi Kok Neng **Resolution 7**

   [See Explanatory Note (i)]

6. To re-appoint Messrs Deloitte & Touche LLP, Certified Public Accountants, as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration.

   Resolution 8

7. 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:

8. **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 and subsidiary holdings) 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 and subsidiary holdings) 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 and subsidiary holdings) 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 Constitution 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 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 9

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 (iii)]

Resolution 10

By Order of the Board

Chew Kok Liang
Shirley Tan Sey Liy
Company Secretaries
Singapore, 5 October 2018

Explanatory Notes:

(i) Mr. Ang Yu Seng will, upon re-election as a Director of the Company, remain as the Chairman of the Board of Directors and Chief Executive Officer of the Company and a member of the Nominating Committee.

Ms. Tan Min-Li will, upon re-election as a Director of the Company, remain as the Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee and will be considered independent pursuant to Rule 704(8) of the Listing Manual of the SGX-ST.

(ii) Resolution 9 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 and subsidiary holdings) 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 and subsidiary holdings) 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 10 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 and subsidiary holdings) in the capital of the Company from time to time.

Notes:

1. A Member of the Company (other than a Relevant Intermediary*) entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified.).

3. Where a member of the Company appoint two proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies.

4. If the member is a corporation, the instrument appointing the 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 appointed for holding the Meeting.

* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act (Chapter 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

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 Annual General Meeting 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) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (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** ("**Company**"), hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings	
			No of Shares	%

*and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings	
			No of Shares	%

as *my/our proxy/proxies 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 Singapore 628474 on Monday, 22 October 2018 at 10.00 a.m. and at any adjournment thereof. I/We* direct my/our proxy/proxies* to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies* will vote or abstain from voting at his/her* discretion.

No.	Resolutions relating to:	For	Against
Ordinary Business			
1	Audited Financial Statements and Directors' Statement of the Company and the Group for the financial year ended 30 June 2018		
2	Payment of proposed final dividend		
3	Approval of Directors' fees amounting to S$13,000 to Mr. Goi Kok Neng for the financial year ended 30 June 2018		
4	Approval of Directors' fees amounting to S$163,800 for the financial year ending 30 June 2019, payable half yearly in arrears (2018: S$130,000)		
5	Re-election of Mr. Ang Yu Seng as a Director under Regulation 91		
6	Re-election of Ms. Tan Min-Li as a Director under Regulation 91		
7	Re-election of Mr. Goi Kok Neng as a Director under Regulation 97		
8	Re-appointment of Deloitte & Touche LLP as Auditors and to authorise the Directors of the Company to fix their remuneration		
Special Business			
9	Authority to issue new shares		
10	Authority to issue shares under the Union Steel Performance Share Scheme		

Dated this __________ day of ____________________ 2018

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

____

Signature of Shareholder(s)
and/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 81SF of the Securities and Futures Act, Chapter 289 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 who is not a Relevant Intermediary entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member who is not a Relevant Intermediary appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. A member who is a Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).

5. Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 33 Pioneer Road Singapore 628474 not less than forty-eight (48) hours before the time appointed for the Meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of 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 an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

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

9. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investors**") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act (Chapter 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

General:

The Company shall be entitled to reject the 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. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the 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 5 October 2018.

CORPORATE INFORMATION

BOARD OF DIRECTORS
Mr. Ang Yu Seng
Mr. Ang Yew Chye
Mr. Siau Kai Bing
Mr. Wong Loke Tan
Ms. Tan Min-Li
Mr. Goi Kok Neng

NOMINATING COMMITTEE
Ms. Tan Min-Li (Chairman)
Mr. Ang Yu Seng
Mr. Siau Kai Bing

REMUNERATION COMMITTEE
Mr. Wong Loke Tan (Chairman)
Mr. Siau Kai Bing
Ms. Tan Min-Li

AUDIT COMMITTEE
Mr. Siau Kai Bing (Chairman)
Mr. Wong Loke Tan
Ms. Tan Min-Li

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
8 Robinson Road #03-00
ASO Building
Singapore 048544

INDEPENDENT AUDITOR
Deloitte & Touche LLP
6 Shenton Way
OUE Downtown 2 #33-00
Singapore 068809
Audit partner: Ms Seah Gek Choo
(Date of appointment:
Since financial year ended 30 June 2015)

PRINCIPAL BANKERS
CIMB Bank Berhad
DBS Bank Limited
Malayan Banking Berhad
Oversea-Chinese Banking Corporation Limited
Standard Chartered Bank
United Overseas Bank Limited

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

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

33 Pioneer Road North
Singapore 628474
Tel: (65) 6861 9833
Fax: (65) 6862 9833

www.unionsteel.com.sg