

CONTENTS

21	Statement of Corporate Governance
41	Directors' Statement
44	Independent Auditors' Report
46	Statements of Financial Position
47	Consolidated Statement of Profit or Loss and other Comprehensive Income
48	Statements of Changes in Equity
49	Consolidated Statement of Cash Flows
50	Notes to the Financial Statements
90	Shareholding Statistics
92	Notice of Annual General Meeting
	Proxy Form

STATEMENT OF CORPORATE GOVERNANCE

Union Steel Holdings Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) are committed to set corporate governance practices in place which are in line with the recommendations of the Code of Corporate Governance 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 2016 or which will be implemented and where appropriate, we have provided explanations for deviation from the Code.

(A) BOARD MATTERS

Board’s Conduct of its Affairs

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

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

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

1. Approving policies, strategies and financial objectives of the Company and reviewing Management’s performance;
2. Overseeing the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
3. Approving nomination and appointment of directors, committee members and key personnel; and
4. Approving annual budget, major funding and expansion proposals, capital investment, major acquisition and divestment proposals.

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

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

In line with the recent changes of the Companies Act, Chapter 50, all references to the Memorandum and Articles of Association will be superseded with Constitution and Regulation respectively.

STATEMENT OF CORPORATE GOVERNANCE

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 2016:

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	7	7	4	4*	1	1	1	1*
Ang Yew Chye	7	7	4	4*	1	1*	1	1*
Chan Kok Poh	7	7	4	4	1	1*	1	1
Siau Kai Bing	7	7	4	4	1	1	1	1
Tan Min-Li	7	7	4	4*	1	1	1	1

* By invitation

The Board had adopted a set of internal guidelines setting forth matters that require Board's approval. Matters which are specifically reserved for the Board's decision are those involving significant acquisitions, disposals and financing proposals, reviewing and approving the Group's corporate policies, monitoring the performance of the Group and transactions relating to investment, financing and legal and corporate secretarial. The Management understands that these matters require approval from the Board. The Board will review these internal guidelines on a periodic basis to ensure their relevance to the operations of the Company. Directors are required to act in good faith and discharge their fiduciary duties and responsibilities in the interest of the Company at all times.

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

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

STATEMENT OF CORPORATE GOVERNANCE

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

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

Board Composition and Balance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision-making.

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

Name of Director	Board	Audit Committee	Nominating Committee	Remuneration Committee
Mr Ang Yu Seng	Executive Chairman and Chief Executive Officer	-	Member	-
Mr Ang Yew Chye	Executive Director	-	-	-
Mr Siau Kai Bing	Lead Independent Director	Chairman	Member	Member
Mr Chan Kok Poh	Independent Director	Member	-	Chairman
Ms Tan Min-Li	Independent Director	Member	Chairman	Member

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

In line with Guideline 2.4 of the Code, the NC had conducted a rigorous review on the independence of the Independent Director, Mr. Siau Kai Bing and considers that Mr. Siau Kai Bing is independent even though he had 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 and strategic planning experience.

STATEMENT OF CORPORATE GOVERNANCE

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

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

Profiles of the Board are set out in "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 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.

STATEMENT OF CORPORATE GOVERNANCE

Board Membership

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

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

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

Nominating Committee

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, to evaluate the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board.

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

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

STATEMENT OF CORPORATE GOVERNANCE

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 for 9 years is still independent, the Board has taken into consideration the following factors:

- (1) The considerable amount of experience and wealth of knowledge that the Independent Director brings to the Company;
- (2) The attendance and active participation in the proceedings and decision making process of the Board and Committee Meetings;
- (3) Provision of continuity and stability to the new Management at the Board level as the independent director has developed deep insight into the business of the Company and possesses experience and knowledge of the business;
- (4) The qualification and expertise provides reasonable checks and balances for the Management;
- (5) The Independent Director has provided adequate attention and sufficient time has been devoted to the proceedings and business of the Company. He is adequately prepared and responsive and heavily involved in the discussions at the meeting; and
- (6) The Independent Director provides overall guidance to Management and act as safeguard for the protection of Company's assets and shareholders' interests.

In this regard, the NC with the concurrence of the Board has reviewed the suitability of Mr. Siau Kai Bing being the Independent Director who have served on the Board for 9 years and have 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. Chan Kok Poh is independent (as defined in the Code) and is able to exercise judgement on the corporate affairs of the Group independent of the Management.

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

There is no alternate Director being appointed to the Board for the financial year ended 30 June 2016.

The NC has recommended to the Board that Mr. Ang Yu Seng and Mr. Chan Kok Poh be nominated for re-election under Regulation 91 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 to his or her re-nomination as a Director. Mr. Chan Kok Poh had expressed to the Board that he would not be seeking re-election at the forthcoming AGM due to his personal commitments and the Board noted his retirement and thank him for his past contributions to the Company.

STATEMENT OF CORPORATE GOVERNANCE

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

The NC has established a review process to assess the performance and effectiveness of the Board as a whole. During FY2016, all Directors are requested to complete a Board 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.

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 focus 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 had endeavored to ensure that Directors appointed to the Board possess the relevant experience, knowledge and expertise critical to the Group's business.

The NC has recommended the adoption of the formal annual evaluation form for the individual directors and the Board Committees to further enhance the effectiveness of the Board Committees and individual directors. The Board has accepted the NC's recommendation and the formal annual evaluation form for the individual directors and Board Committees would be adopted with effect from the financial year ended 30 June 2017.

Although the individual directors are not formally evaluated, the factors taken into consideration with regards to the re-nomination of directors for FY2016 are based on their attendance and contributions made at the Board and Board Committees meetings.

STATEMENT OF CORPORATE GOVERNANCE

Access to Information

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

The Board has separate and independent access to the Senior Management and the Company Secretaries at all times. Requests for information from the Board are dealt with promptly by the Management. The Board is informed of all material events and transactions as and when they occur. The Management provides the Board with quarterly reports of the Company's performance. The Management also consults with Board members regularly whenever necessary and appropriate. The Board is issued with Board papers including financial, business and corporate matters of the Group timely and prior to Board meetings to enable the Directors to oversee the Company's operational and financial performance. Directors are also informed of any significant developments or events relating to the Company.

The Company Secretaries or their representatives attends all Board and Board Committees meetings and prepares minutes of Board and Board Committees meetings and assists the Chairman in ensuring that Board procedures are followed and reviewed in accordance with the Company's 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 service will be borne by the Company.

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

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

Remuneration Committee

Mr. Chan Kok Poh (Chairman)
Mr. 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.

STATEMENT OF CORPORATE GOVERNANCE

The duties of the RC are as follows:

- (1) Reviewing and recommending to the Board a framework of remuneration and specific remuneration packages for all Directors of the Company;
- (2) Reviewing the service contracts of Executive Directors;
- (3) Reviewing and enhancing the compensation structure with incentive performance for key management personnel; and
- (4) Overseeing the general compensation of employees of the Group with a goal to motivate, recruit and retain employees and directors through competitive compensation and progressive policies.

No Director is involved in deciding his own remuneration, except in providing information and documents if specifically requested by the RC to assist in its deliberations.

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

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

Level and Mix of Remuneration

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

The remuneration policy of the Company is to provide compensation packages at market rates, which reward successful performance and attract, retain and motivate Directors and 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 2015. 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.

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.

STATEMENT OF CORPORATE GOVERNANCE

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 2016 to each individual Director of the Company is as follows:

Name of Directors	Salary	Bonus	Directors' fees	Allowances and Other Benefits	Total
	%	%	%	%	%
<u>S\$500,000 to below S\$750,000</u>					
Mr Ang Yu Seng	78	7	-	15	100
<u>S\$250,000 to below S\$500,000</u>					
Mr Ang Yew Chye	74	6	-	20	100
<u>Below S\$250,000</u>					
Mr Siau Kai Bing	-	-	100	-	100
Mr Chan Kok Poh	-	-	100	-	100
Ms Tan Min-Li	-	-	100	-	100

For the financial year ended 30 June 2016, the Company only identified 4 key management personnel. Details of remuneration paid to Top 4 key management personnel of the Group (who are not Directors) for the financial year ended 30 June 2016 are set out below:

Name of Key Management Personnel	Salary	Bonus	Allowances and Other Benefits	Total
	%	%	%	%
<u>S\$250,000 to below S\$500,000</u>				
Mr. Wilson Ong	78	7	15	100
<u>Below S\$250,000</u>				
Mr. Ho Kian Teck	100	-	-	100
Mr. Chua Wei Chye Lawrence (resigned with effect from 29 February 2016)	100	-	-	100
Mdm. Ang Siew Chin (resigned with effect from 8 March 2016)	90	-	10	100

For the financial year ended 30 June 2016, the aggregate total remuneration paid to the key management personnel (who are not Directors or the CEO) amounted to \$545,000.

STATEMENT OF CORPORATE GOVERNANCE

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 FY2016.

Immediate Family Member of Directors or Substantial Shareholders

There are four employees of the Group who are immediate family members of the Company's Executive Directors. Two employees of the Group, Mdm Ang Siew Chin and Mdm Ang Lay Eng, are sisters of our Executive Directors, Mr Ang Yu Seng and Mr Ang Yew Chye and whose remuneration exceeds S\$50,000 in the financial year ended 30 June 2016. The remuneration of the remaining two employees of the Group, 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\$50,000 in the financial year ended 30 June 2016. The basis for determining the compensation of our related employees is the same as the basis of determining the compensation of other unrelated employees.

Details of remuneration paid to the immediate family member of Directors or substantial shareholders for the financial year ended 30 June 2016 are set out below:

Name of Immediate Family Member	Salary	Bonus	Allowances and Other Benefits	Total
	%	%	%	%
<u>Above S\$50,000</u>				
Ang Siew Chin (resigned with effect from 8 March 2016)	90	-	10	100
Ang Lay Eng (resigned with effect from 28 May 2016)	81	8	11	100
<u>Below S\$50,000</u>				
Mr. Ang Jun Long	65	6	29	100
Ms. Ang Ru Mei, Renne	100	-	-	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 2016 exceeded \$50,000.

In view of confidentiality of remuneration matters, the Board is of the opinion that it is in the best interests of the Group not to disclose the exact remuneration of Directors and key management personnel in the Annual Report.

(C) ACCOUNTABILITY AND AUDIT

Accountability

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

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

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

STATEMENT OF CORPORATE GOVERNANCE

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

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

Relying on the reports from the internal auditors ("IA") and EA, the AC carried out assessments of the effectiveness of key internal controls during the year. Any material non-compliance or weaknesses in internal controls or recommendations from the IA and EA to further improve the internal controls were reported to the AC. The AC will also follow up on the actions taken by the Management and on the recommendations made by both the IA and EA.

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

The CEO and 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 2016 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.

STATEMENT OF CORPORATE GOVERNANCE

Based on the reports and work performed by both the EA and IA, the assurance from Management and the on-going review as well as the continuing efforts in enhancing controls and processes which currently in place, the Board, with the concurrence of the AC, is of the view that there are adequate 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 2016.

Audit Committee

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

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

Audit Committee

Mr. Siau Kai Bing (Chairman)
Mr. Chan Kok Poh
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 develop and maintain effective systems of internal control. The Board is of the opinion that the members of the AC possess the necessary accounting or related financial management qualifications, expertise and experience in discharging their duties. The details of the Board member's qualifications and experience are presented in this Annual Report under the heading "Board of Directors".

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

- (1) monitor the integrity of the financial information provided by the Company;
- (2) assess, and challenge, where necessary, the correctness, completeness, and consistency of financial information (including interim reports) before submittal to the Board for approval or made public;
- (3) review any formal announcements relating to the Company's financial performance;
- (4) discuss problems and concerns, if any, arising from the interim and final audits, in consultation with the EA and the IA where necessary;
- (5) assess the adequacy and effectiveness of the internal controls (including financial, operational, compliance, information technology controls and risk management) systems established by Management to identify, assess, manage, and disclose financial and non-financial risks (including those relating to compliances with existing legislation and regulation) at least once a year in compliance with Guideline 12.4 of the Code;
- (6) review and ensure that the assurance has been received from the CEO (or equivalent) and the Chief Financial Officer (or equivalent) in relation to the interim/final unaudited financial statement;

STATEMENT OF CORPORATE GOVERNANCE

- (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 2016, the fees that are charged to the Group by the EA for audit services were approximately S\$168,000. There were no non-audit fees paid to the EA.

STATEMENT OF CORPORATE GOVERNANCE

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

- (1) independent investigations are carried out in an appropriate and timely manner;
- (2) appropriate action is taken to correct the weakness in internal controls and policies which allowed the perpetration of fraud and/or misconduct and to prevent a recurrence; and
- (3) administrative, disciplinary, civil and/or criminal actions that are initiated following the completion of investigations are appropriate, balance and fair, while providing reassurance that employees will be protected from reprisals or victimisation for whistle blowing in good faith and without malice.

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

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

Internal Audit

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

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

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

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

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

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

STATEMENT OF CORPORATE GOVERNANCE

(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. 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 sent 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 shareholder, the information in a timely and fair manner via SGXNet. Where there is inadvertent disclosure made to a selected Group, the Company will make the same disclosure publicly to all others as soon as practicable. Communication is made through:-

- 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.

STATEMENT OF CORPORATE GOVERNANCE

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

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

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

The Group does not have a concrete dividend policy at present. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate. For FY2016, the Board does not recommend any payment of dividends as the Company requires the existing cash to fund its operating activities.

CONDUCT OF SHAREHOLDER MEETINGS

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the Company.

The shareholders are encouraged to attend the Company's general meetings to ensure a high level of accountability and to stay informed of the Group's strategies and growth plans. Notice of the general meetings are dispatched to shareholders, together with explanatory notes or a circular on items of special businesses (if necessary), at least 14 clear calendar days before the meeting. The Board welcomes questions from shareholders who wish to raise issues, either informally or formally before or during the general meetings.

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

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

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

The Company shall adhere to the requirements of the Code where all resolutions are to be voted by poll.

STATEMENT OF CORPORATE GOVERNANCE

(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, Chief Executive Officers or controlling shareholders of the Group or the associates of such Directors, Chief Executive Officers or controlling shareholders) subsisting for the financial year ended 30 June 2016.

STATEMENT OF CORPORATE GOVERNANCE

PARTICULARS OF DIRECTORS PURSUANT TO THE CODE OF CORPORATE GOVERNANCE

Name of Director	Academic/ Professional Qualifications	Board Appointment Executive/ Non-executive	Board Committees as Chairman or Member	Directorship Date First Appointed	Date of Last Re-election	Directorships in other listed companies and other major appointments	Past directorships in other listed companies and other major appointments over the preceding 3 years
Mr Ang Yu Seng	GCE "A" Levels	Executive Chairman / Chief Executive Officer	Chairman of the Board and Member of Nominating Committee	12 August 2004	24 October 2014	Nil	Nil
Mr Ang Yew Chye	Primary School certification	Executive Director	Board Member	12 August 2004	31 October 2015	Nil	Nil
Mr Siau Kai Bing	Fellow Chartered Accountant of Singapore with the Institute of Singapore Chartered Accountants	Lead Independent Director	Board Member, Chairman of the Audit Committee and Member of the Nominating Committee and Remuneration Committee	28 June 2005	31 October 2015	Nil	<ul style="list-style-type: none"> Advanced Holdings Limited QAF Limited
Mr Chan Kok Poh	Chartered Accountant of Singapore with the Institute of Singapore Chartered Accountants	Independent Director	Board Member, Chairman of the Remuneration Committee and Member of the Audit Committee	28 June 2005, Re-designated from Non- Executive Director to Independent Director on 12 September 2008	24 October 2014	Nil	Nil

STATEMENT OF CORPORATE GOVERNANCE

Name of Director	Academic/ Professional Qualifications	Board Appointment Executive/ Non-executive	Board Committees as Chairman or Member	Directorship Date First Appointed	Date of Last Re-election	Directorships in other listed companies and other major appointments	Past directorships in other listed companies and other major appointments over the preceding 3 years
Ms Tan Min-Li	Master of Law (Merit in International Business Law), University College London, University of London. Bachelor of Law Degree (Honours) from the National University of Singapore.	Independent Director	Board Member, Chairman of the Nominating Committee and Member of the Audit Committee and Remuneration Committee	1 April 2015	31 October 2015	<ol style="list-style-type: none"> 1. Colin Ng & Partners LLP 2. Anchun International Holdings Ltd 3. Ocean Sky International Limited 	Nil

DIRECTORS' STATEMENT

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 June 30, 2016.

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 46 to 89 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 June 30, 2016, 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
Chan Kok Poh
Siau Kai Bing
Tan Min-Li

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:

Name of directors and company in which interests are held	Shareholdings registered in the name of director	
	At beginning of year*	At end of year
<u>The Company</u> (Ordinary shares)		
Ang Yu Seng	13,724,840	13,724,840
Ang Yew Chye	3,255,943	3,255,943
Chan Kok Poh	24,000	24,000
Siau Kai Bing	12,000	12,000

* Adjusted for the share consolidation of every ten existing ordinary shares into one ordinary share which occurred on November 24, 2015.

DIRECTORS' STATEMENT

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONTINUED)

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 July 21, 2016.

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 February 11, 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.

DIRECTORS' STATEMENT

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 Chan Kok Poh. 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;
- (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
September 15, 2016

INDEPENDENT AUDITORS' REPORT

To the Members of Union Steel Holdings Limited | For the financial year ended 30 June 2016

Report on the Financial Statements

We have audited the accompanying financial statements of Union Steel Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of the financial position of the Company as at June 30, 2016, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 46 to 89.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements of the Group, and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at June 30, 2016, and the financial performance, changes in equity and cash flows of the Group, and changes in equity of the Company for the year ended on that date.

INDEPENDENT AUDITORS' REPORT

To the Members of Union Steel Holdings Limited | For the financial year ended 30 June 2016

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.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

September 15, 2016

STATEMENTS OF FINANCIAL POSITION

As at 30 June 2016

		Group		Company	
	Note	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
ASSETS					
Current assets					
Cash and cash equivalents	6	28,340	31,194	1,255	1,618
Trade and other receivables	7	10,572	17,587	354	7,481
Inventories	8	12,609	30,800	-	-
Total current assets		51,521	79,581	1,609	9,099
Non-current assets					
Property, plant and equipment	9	39,885	41,084	138	204
Investment property	10	10,937	11,812	-	-
Goodwill	11	7,733	11,603	-	-
Other intangible asset	12	501	1,090	-	-
Golf club memberships		201	159	201	159
Subsidiaries	13	-	-	42,801	38,801
Deposit	14	1,960	-	1,960	-
Total non-current assets		61,217	65,748	45,100	39,164
Total assets		112,738	145,329	46,709	48,263
LIABILITIES AND EQUITY					
Current liabilities					
Bank loans and bills payable	15	35,263	39,516	4,752	4,184
Trade and other payables	16	6,055	10,469	16,752	6,622
Finance leases		47	70	-	-
Income tax payable		195	392	-	5
Total current liabilities		41,560	50,447	21,504	10,811
Non-current liabilities					
Bank loans	15	3,144	10,012	-	5,372
Finance leases		93	137	-	-
Deferred tax liabilities	17	3,582	4,104	39	34
Total non-current liabilities		6,819	14,253	39	5,406
Capital and reserves					
Share capital	18	36,603	36,603	36,603	36,603
Retained earnings (Accumulated losses)		22,827	39,517	(11,437)	(4,557)
Capital reserve	19	5,237	5,237	-	-
Foreign currency translation reserve		(308)	(728)	-	-
Total equity		64,359	80,629	25,166	32,046
Total liabilities and equity		112,738	145,329	46,709	48,263

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 30 June 2016

		Group	
	Note	2016 \$'000	2015 \$'000
Revenue	20	86,494	133,918
Cost of sales		(77,214)	(123,236)
Gross profit		9,280	10,682
Other income	21	6,554	6,341
Distribution costs		(1,570)	(2,294)
Administrative expenses		(9,961)	(9,254)
Other operating expenses		(20,190)	(13,575)
Finance costs	22	(1,152)	(990)
Loss before tax		(17,039)	(9,090)
Income tax	23	349	679
Loss for the year	24	(16,690)	(8,411)
Other comprehensive income (loss)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of a foreign operation		420	(715)
Total comprehensive loss for the year		(16,270)	(9,126)
Loss per share (cents)			
Basic and diluted	25	42	21

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 30 June 2016

	Share capital \$'000	Retained earnings \$'000	Capital reserve \$'000	Foreign currency translation reserve \$'000	Total \$'000
<u>Group</u>					
Balance as at July 1, 2014	36,603	49,109	5,237	(13)	90,936
<i>Total comprehensive loss for the year</i>					
Loss for the year	-	(8,411)	-	-	(8,411)
Other comprehensive loss for the year	-	-	-	(715)	(715)
Total	-	(8,411)	-	(715)	(9,126)
<i>Transaction with owners, recognised directly in equity</i>					
Dividends (Note 26)	-	(1,181)	-	-	(1,181)
Balance as at June 30, 2015	36,603	39,517	5,237	(728)	80,629
<i>Total comprehensive loss for the year</i>					
Loss for the year	-	(16,690)	-	-	(16,690)
Other comprehensive income for the year	-	-	-	420	420
Total	-	(16,690)	-	420	(16,270)
Balance as at June 30, 2016	36,603	22,827	5,237	(308)	64,359

	Share capital \$'000	Accumulated losses \$'000	Total \$'000
<u>Company</u>			
Balance as at July 1, 2014	36,603	(3,827)	32,776
Profit for the year, representing total comprehensive income for the year	-	451	451
<i>Transaction with owners, recognised directly in equity</i>			
Dividends (Note 26)	-	(1,181)	(1,181)
Balance as at June 30, 2015	36,603	(4,557)	32,046
Loss for the year, representing total comprehensive loss for the year	-	(6,880)	(6,880)
Balance as at June 30, 2016	36,603	(11,437)	25,166

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 30 June 2016

	2016 \$'000	2015 \$'000
Operating activities		
Loss before income tax	(17,039)	(9,090)
Adjustments for:		
Depreciation of property, plant and equipment	6,153	5,469
Gain on disposal of property, plant and equipment	(350)	(356)
Fair value loss on investment property	875	875
Amortisation of intangible assets	589	589
Impairment of goodwill	4,200	-
Allowance for doubtful receivables	674	493
Allowance for inventories	207	6,470
Receivables written off	2,012	-
Inventories written off	2,510	-
Property, plant and equipment written off	2,449	911
Interest expense	1,152	990
Interest income	(35)	(54)
Operating cash flows before movements in working capital	3,397	6,297
Trade and other receivables	5,525	5,558
Inventories	13,718	4,267
Trade and other payables	(5,170)	2,180
Cash generated from operations	17,470	18,302
Income tax paid	(738)	(603)
Interest paid	(1,152)	(990)
Interest received	35	54
Net cash from operating activities	15,615	16,763
Investing activities		
Purchase of property, plant and equipment	(1,490)	(4,953)
Purchase of golf club membership	(42)	-
Proceeds from disposal of property, plant and equipment	1,096	396
Acquisition of a subsidiary, net of cash received	(5,305)	-
Deposit paid for acquisition of subsidiaries	(1,960)	-
Net cash used in investing activities	(7,701)	(4,557)
Financing activities		
Decrease in bills payable	(7,772)	(4,799)
New bank loan raised	5,400	-
Repayment of bank loans	(8,749)	(9,212)
Repayment of finance lease liabilities	(67)	(70)
Dividends paid	-	(1,181)
Net cash used in financing activities	(11,188)	(15,262)
Net decrease in cash and cash equivalents	(3,274)	(3,056)
Effect of exchange rate changes	420	553
Cash and cash equivalents at beginning of financial year	31,194	33,697
Cash and cash equivalents at end of financial year	28,340	31,194

See accompanying notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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 13 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 June 30, 2016 were authorised for issue by the Board of Directors on September 15, 2016.

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 Singapore Financial Reporting Standards (“FRS”).

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in 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 FRSSs). 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Effective interest method

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

Trade and other receivables

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 received, net of direct issue costs.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. 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	3 to 100 years
Air-conditioners, electrical installations and computers	5 years
Containers, renovations and warehouse	5 years
Furniture, fittings and office equipment	5 years
Plant, machinery and material handling equipment	5 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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;

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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.

Interest income

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

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Rental income

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

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes 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, cash at bank and fixed deposits 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

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) Allowance 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 Group and the Company's allowances, as 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 Group's allowances, as disclosed in Note 8, are adequate.

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(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 a \$4,200,000 impairment charge is required for the financial year ended June 30, 2016 (2015 : \$Nil). 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 assessments and calculations performed, management is of the view that a \$2,000,000 impairment charge is required for the financial year ended June 30, 2016 (2015 : \$Nil). The carrying amount of investment in subsidiaries is disclosed in Note 13 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	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	38,453	48,044	1,562	9,018
Financial liabilities				
Amortised cost	43,719	60,002	21,504	16,178

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(b) *Financial risk management policies and objectives (continued)*

(i) Foreign exchange risk management (continued)

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:

	Group			
	Assets		Liabilities	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
United States dollar	8,153	10,069	3,216	10,293

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 loss before tax will decrease/increase by \$494,000 (2015 : increase/decrease by \$22,000).

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 15.

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 loss before tax would increase/decrease by \$192,000 (2015 : \$248,000).

If interest rates had been 50 basis points higher/lower during the year and all other variables were held constant, the Company's loss before tax would increase/decrease by \$24,000 (2015 : profit before tax would increase/decrease by \$48,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(b) *Financial risk management policies and objectives (continued)*

(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 June 30, 2016 and June 30, 2015.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(b) Financial risk management policies and objectives (continued)

(iv) Liquidity risk management (continued)

Liquidity and interest risk analyses (continued)

Non-derivative financial liabilities (continued)

Group	Weighted average effective interest rate %	On demand or within 1 year \$'000	Within 2 to 5 years \$'000	After 5 years \$'000	Adjustment \$'000	Total \$'000
2016						
Non-interest bearing	-	5,172	-	-	-	5,172
Fixed interest rate instruments	3.7	49	95	-	(4)	140
Variable interest rate instruments	2.6	36,182	2,899	327	(1,001)	38,407
Total		41,403	2,994	327	(1,005)	43,719
2015						
Non-interest bearing	-	10,267	-	-	-	10,267
Fixed interest rate instruments	3.7	70	149	-	(12)	207
Variable interest rate instruments	1.5	39,979	10,117	412	(980)	49,528
Total		50,316	10,266	412	(992)	60,002
Company	Weighted average effective interest rate %	On demand or within 1 year \$'000	Within 2 to 5 years \$'000	After 5 years \$'000	Adjustment \$'000	Total \$'000
2016						
Non-interest bearing	-	16,752	-	-	-	16,752
Variable interest rate instruments	3.7	4,929	-	-	(177)	4,752
Total		21,681	-	-	(177)	21,504
2015						
Non-interest bearing	-	6,622	-	-	-	6,622
Variable interest rate instruments	2.5	4,342	5,454	-	(240)	9,556
Total		10,964	5,454	-	(240)	16,178

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(b) *Financial risk management policies and objectives (continued)*

(iv) Liquidity risk management (continued)

Liquidity and interest risk analyses (continued)

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 \$33,655,000 (2015 : \$39,972,000) 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 capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 15, and equity which comprised issued capital, reserves and retained earnings. The Group's overall strategy remains unchanged from prior year.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

5 RELATED PARTY TRANSACTIONS (CONTINUED)

Compensation of directors and key management personnel

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

	Group	
	2016 \$'000	2015 \$'000
Short-term benefits	1,208	1,691
Post-employment benefits	39	61
	1,247	1,752

6 CASH AND CASH EQUIVALENTS

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Cash on hand and at bank	28,340	29,849	1,255	1,618
Fixed deposits	-	1,345	-	-
	28,340	31,194	1,255	1,618

As at June 30, 2015, the fixed deposits bore interest at 1% per annum and were for tenure of 1 month.

7 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Trade receivables:				
Outside parties	10,716	16,218	-	-
Allowance for doubtful receivables	(1,581)	(1,055)	-	-
	9,135	15,163	-	-
Other receivables:				
Outside parties	978	1,687	-	-
Subsidiaries	-	-	12,244	11,400
Allowance for doubtful receivables	-	-	(11,937)	(4,000)
Prepayments	459	737	47	81
	1,437	2,424	354	7,481
	10,572	17,587	354	7,481

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

7 TRADE AND OTHER RECEIVABLES (CONTINUED)

The average credit period on sale of goods is 30 days (2015 : 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.

Movements in the allowances for doubtful receivables

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Balance at beginning of the year	1,055	562	4,000	-
Increase in allowance recognised in profit or loss (Note 24)	674	493	7,937	4,000
Amounts written off against allowance	(148)	-	-	-
Balance at end of the year	1,581	1,055	11,937	4,000

Included in the Group's trade receivable balance are debtors with a carrying amount of \$6,142,000 (2015 : \$8,643,000) 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	
	2016 \$'000	2015 \$'000
Past due 0 to 3 months	5,005	6,822
Past due 4 to 6 months	709	1,512
Past due exceeding 6 months	428	309
	6,142	8,643

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

8 INVENTORIES

	Group	
	2016 \$'000	2015 \$'000
Trading inventories	15,116	37,270
Less: Allowance for inventories	(2,507)	(6,470)
	12,609	30,800

Movement in the allowance for inventories

	Group	
	2016 \$'000	2015 \$'000
Balance at the beginning of year	6,470	237
Increase in allowance recognised in profit or loss (Note 24)	207	6,470
Amounts written off against allowance	(4,170)	(237)
Balance at the end of the year	2,507	6,470

The cost of inventories recognised as expense and included in cost of sales amounted to \$63,098,000 (2015 : \$106,149,000).

The following have been recognised in 'Other operating expenses' in profit or loss:

- i) Increase in allowance for inventories amounting to \$207,000 (2015 : \$6,470,000) in respect of write-down of inventories to net realisable value; and
- ii) Inventories amounting to \$2,510,000 (2015: \$Nil) that were damaged or lost were written off directly to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

9 PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land and buildings \$'000	Air-conditioners, electrical installations and computers \$'000	Containers, renovations and warehouse \$'000	Furniture, fittings and office equipment \$'000	Plant, machinery and material handling equipment \$'000	Motor vehicles, trucks and cranes \$'000	Rental materials \$'000	Total \$'000
Cost:								
At July 1, 2014	10,712	664	2,239	578	22,080	3,038	29,422	68,733
Additions	-	202	208	226	2,496	1,063	758	4,953
Transfer from investment property (Note 10)	1,813	-	-	-	-	-	-	1,813
Disposal/Written off	-	-	-	(17)	(1,412)	(507)	(1,106)	(3,042)
Reclassified from inventories	-	-	-	-	-	-	1,049	1,049
At June 30, 2015	12,525	866	2,447	787	23,164	3,594	30,123	73,506
Arising from acquisition of a subsidiary (Note 27)	2,000	22	260	17	688	279	-	3,266
Additions	-	29	111	-	675	675	-	1,490
Disposal/Written off	-	-	(16)	(15)	(1,825)	(269)	(4,035)	(6,160)
Reclassified from inventories	-	-	-	-	839	-	2,554	3,393
At June 30, 2016	14,525	917	2,802	789	23,541	4,279	28,642	75,495
Accumulated depreciation:								
At July 1, 2014	4,704	410	1,944	464	15,677	2,586	3,262	29,047
Depreciation charge	866	96	100	80	2,704	215	1,408	5,469
Disposal/Written off	-	-	-	(14)	(1,405)	(486)	(189)	(2,094)
At June 30, 2015	5,570	506	2,044	530	16,976	2,315	4,481	32,422
Depreciation charge	1,167	176	163	46	2,457	482	1,662	6,153
Disposal/Written off	-	-	(16)	(7)	(1,270)	(223)	(1,449)	(2,965)
At June 30, 2016	6,737	682	2,191	569	18,163	2,574	4,694	35,610
Carrying amount:								
At June 30, 2016	7,788	235	611	220	5,378	1,705	23,948	39,885
At June 30, 2015	6,955	360	403	257	6,188	1,279	25,642	41,084

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 \$208,000 (2015 : \$277,000) 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 \$5,436,000 (2015 : \$4,485,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Particulars of the leasehold properties held by the Group as at June 30, 2016 are as follows:

Location	Description	Tenure
12 Gul Road Singapore 629343	Yard-cum-factory with land area of 32,986 square metres	11 years ending August 7, 2018
14 Gul Road Singapore 629344	Yard with land area of 21,089 square metres	30 years ending January 15, 2040
41 Middle Road #03-00 Singapore 188950	Office of 94 square metres	999 years ending January 29, 2834
39 Senoko Drive Singapore 758224	Purpose-built single-storey detached factory with a two-storey office block with land area of 3,249 square metres	15 years ending September 30, 2020

Company

The Company's property, plant and equipment mainly comprise air-conditioners, electrical installations and computers with cost of \$336,000 (2015 : \$331,000) and accumulated depreciation of \$198,000 (2015 : \$127,000). Additions for the year amounted to \$5,000 (2015 : \$103,000) and depreciation for the year amounted to \$71,000 (2015 : \$61,000).

10 INVESTMENT PROPERTY

	Group	
	2016 \$'000	2015 \$'000
Beginning of financial year	11,812	14,500
Reclassification to property, plant and equipment (Note 9)	-	(1,813)
Fair value loss recognised in profit or loss (Note 24)	(875)	(875)
End of financial year	10,937	11,812

The fair values of the Group's investment property at June 30, 2016 and June 30, 2015 have been determined on the basis of valuations carried out at the respective year end dates by Suntec Real Estate Consultants Pte Ltd, 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 June 30, 2016 and June 30, 2015.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

10 INVESTMENT PROPERTY (CONTINUED)

The property rental income from the investment property, all of which are leased out under operating leases, amounted to \$1,176,000 (2015 : \$1,516,000). Direct operating expenses (including repairs and maintenance) arising from rental-generating investment property amounted to \$Nil (2015 : \$Nil).

The Group considers the comparable transacted 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 15).

Particulars of the investment property held by the Group as at June 30, 2016 are as follows:

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

11 GOODWILL

	Group \$'000
Cost:	
At July 1, 2014 and June 30, 2015	12,840
Arising on acquisition of a subsidiary (Note 27)	330
At June 30, 2016	<u>13,170</u>
Impairment:	
At July 1, 2014	-
Impairment loss	1,237
At June 30, 2015	<u>1,237</u>
Impairment loss	4,200
At June 30, 2016	<u>5,437</u>
Carrying amount:	
At June 30, 2016	<u>7,733</u>
At June 30, 2015	<u>11,603</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

11 GOODWILL (CONTINUED)

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. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

	Group	
	2016 \$'000	2015 \$'000
Investment property CGU: (Lim Asia Steel Pte Ltd)	1,237	1,237
Scaffolding services CGU: (Hock Ann Metal Scaffolding Pte Ltd)	11,603	11,603
Engineering services CGU: (Gee Sheng Machinery & Engineering Pte Ltd)	330	-
	13,170	12,840

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 from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. 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 growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years. Key assumptions in the cash flow forecasts were as follows:

	Estimated average growth rate		Discount rate	
	2016	2015	2016	2015
Investment property CGU	-	0%	-	5%
Scaffolding services CGU	-3.5%	5%	8.5%	10%
Engineering services CGU	10%	-	8%	-

At June 30, 2016, before impairment testing, goodwill of \$11,603,000 was allocated to the scaffolding services CGU. Due to increased competition in the market, the Group has revised its cash flow forecasts for this CGU. The CGU has therefore been reduced to its recoverable amount, which resulted in an impairment loss of \$4,200,000 against goodwill, recognised in 'Other operating expenses' in profit or loss.

If the estimated average growth rate for the scaffolding services CGU was reduced by 0.2% or the discount rate was increased by 0.2%, the impact on the recoverable amount of the CGU will not be material.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

11 GOODWILL (CONTINUED)

At June 30, 2015, before impairment testing, goodwill of \$1,237,000 had been allocated to the investment property CGU. The Group had revised its cash flow forecasts for this CGU, taking into account current market conditions at the time. The CGU was reduced to its recoverable amount, which resulted in an impairment loss of \$1,237,000 against goodwill, recognised in 'Other operating expenses' in profit or loss.

12 OTHER INTANGIBLE ASSET

	Customer relationship \$'000
Cost:	
At July 1, 2014, June 30, 2015 and June 30, 2016	2,945
Accumulated amortisation:	
At July 1, 2014	1,266
Amortisation charge	589
At June 30, 2015	1,855
Amortisation charge	589
At June 30, 2016	2,444
Carrying amount:	
At June 30, 2016	501
At June 30, 2015	1,090

The customer relationship arose upon acquisition of a subsidiary in prior years, and has a finite useful life of 5 years from the acquisition date.

The amortisation charge has been included in the line item "other operating expenses" in profit or loss.

13 SUBSIDIARIES

	Company	
	2016 \$'000	2015 \$'000
Unquoted equity shares, at cost	44,801	38,801
Less: impairment loss	(2,000)	-
	<u>42,801</u>	<u>38,801</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

13 SUBSIDIARIES (CONTINUED)

Details of the Group's subsidiaries are as follows:

Name of subsidiary	Principal activities	Place of incorporation and business	Effective equity interest and voting power held	
			2016 %	2015 %
<u>Held by the Company</u>				
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
Lim Asia Steel 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⁾⁽⁴⁾	Engineering services	Singapore	100	-
<u>Held by subsidiaries</u>				
Hock Ann Marine Scaffolding Pte Ltd ⁽¹⁾	Scaffolding services	Singapore	100	100
Union CHH Sdn Bhd ⁽³⁾	Recycling and trading of scrap metals; inactive in current year	Malaysia	100	100

⁽¹⁾ Audited by Deloitte & Touche LLP, Singapore

⁽²⁾ Audited by L W Ong & Associates LLP, Singapore

⁽³⁾ Audited by Douglas Loh & Associates, Malaysia

⁽⁴⁾ Gee Sheng Machinery & Engineering Pte Ltd was acquired by the Company during the year (Note 27)

14 DEPOSIT

This relates to a downpayment towards the acquisition of a group of three companies. Further details of the acquisition are disclosed in Note 30.

The deposit is non-interest bearing and refundable had the acquisition not been completed.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

15 BANK LOANS AND BILLS PAYABLE

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Bills payable to banks	3,550	11,322	-	-
Bank loans	34,857	38,206	4,752	9,556
Less: Amount due for settlement within 12 months (shown under current liabilities)	(35,263)	(39,516)	(4,752)	(4,184)
Amount due for settlement after 12 months	3,144	10,012	-	5,372

Bank loans are arranged at floating interest rates that ranged from 1.6% to 3.9% (2015 : 1.4% to 3.9%) 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); and
- c) Corporate guarantees by the Company.

As at June 30, 2016, the Group was not in compliance with covenants for certain bank loans:

- i) For a loan of \$2,000,000 obtained by a subsidiary, the subsidiary's net assets were less than the minimum of \$12.0 million as stipulated by the bank in its letter of offer;
- ii) For a loan of \$2,000,000 obtained by a subsidiary, the subsidiary's net assets were less than the minimum of \$40.0 million as stipulated by the bank in its letter of offer; and
- iii) For a loan of \$4,800,000 obtained by the Company, the Group's tangible net worth was less than the minimum of \$60.0 million as stipulated by the bank in its letter of offer.

Subsequent to the end of the reporting period, the respective banks had granted the Group consent letters to the non-compliance of covenants. As at June 30, 2016, the loans above were classified under current liabilities in the Group's and the Company's statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

16 TRADE AND OTHER PAYABLES

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Trade payables - outside parties	2,075	5,993	44	44
Rental deposits	1,142	1,289	-	-
Advances from customers	883	202	-	-
Accruals for operating expenses	1,371	1,846	445	326
Other payables - subsidiaries	-	-	16,263	6,252
Other payables - outside parties	584	1,139	-	-
	6,055	10,469	16,752	6,622

The average credit period on purchases of goods is 30 days (2015 : 30 days). No interest is charged on outstanding balances. Other payables due to subsidiaries were unsecured, interest free and repayable on demand.

17 DEFERRED TAX LIABILITIES

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Beginning of financial year	4,104	4,735	34	27
Arising from acquisition of a subsidiary (Note 27)	290	-	-	-
Credited to profit or loss (Note 23)	(812)	(631)	5	7
End of financial year	3,582	4,104	39	34

Deferred tax liabilities arise mainly from the excess of tax over book depreciation of plant and equipment.

18 SHARE CAPITAL

	Group and Company			
	2016 Number of ordinary shares ('000)	2015	2016 \$'000	2015 \$'000
Issued and fully paid:				
At beginning of financial year	393,781	393,781	36,603	36,603
Effects of share consolidation	(354,403)	-	-	-
At end of financial year	39,378	393,781	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.

On November 24, 2015, the Company completed the share consolidation of every ten existing issued ordinary shares in the capital of the Company into one ordinary share. No consideration was paid or received in respect of the share consolidation.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

19 CAPITAL RESERVE

Capital reserve arises due to an increase in ownership interest in an existing subsidiary, Hock Ann Metal Scaffolding Pte Ltd, in prior years. The balance represents the difference between the fair value of consideration paid and the carrying amount of non-controlling interests acquired.

20 REVENUE

	Group	
	2016 \$'000	2015 \$'000
Sale of goods	68,934	117,830
Rental income from rental of materials and machineries	4,525	5,070
Service income from scaffolding services	7,780	9,660
Engineering services	3,770	-
Other service income	1,485	1,358
	<u>86,494</u>	<u>133,918</u>

21 OTHER INCOME

	Group	
	2016 \$'000	2015 \$'000
Gain on disposal of property, plant and equipment	350	356
Rental of leasehold properties	3,461	3,426
Rental of investment property (Note 10)	1,176	1,516
Transportation income	436	562
Interest income	35	54
Others	1,096	427
	<u>6,554</u>	<u>6,341</u>

22 FINANCE COSTS

	Group	
	2016 \$'000	2015 \$'000
Interest on bills payable	107	177
Interest on bank loans	1,039	804
Interest on obligations under finance leases	6	9
	<u>1,152</u>	<u>990</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

23 INCOME TAX

	Group	
	2016 \$'000	2015 \$'000
Current tax expense	(159)	(421)
(Under) Over provision of current tax in prior years	(304)	469
Deferred tax credit (Note 17)	812	631
	349	679

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

	Group	
	2016 \$'000	2015 \$'000
Loss before tax	(17,039)	(9,090)
Tax credit calculated at statutory rate of 17% (2015 : 17%)	(2,897)	(1,545)
Income not subject to tax	(47)	(113)
Expenses not deductible for tax purposes	2,367	756
Effect of tax concessions	-	(78)
Under (Over) provision of current tax in prior years	304	(469)
(Utilisation of) Deferred tax assets not recognised - unutilised capital allowances and unabsorbed tax losses	(170)	889
Effect of different tax rate of subsidiary operating in other jurisdiction	-	(118)
Others	94	(1)
	(349)	(679)

The Group has unabsorbed tax losses and unutilised capital allowances of approximately \$12.3 million (2015 : \$13.3 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

24 LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	Group	
	2016	2015
	\$'000	\$'000
Directors' remuneration:		
- of the Company	864	986
- of the subsidiaries	539	466
Employee benefits expense (including directors' remuneration)	9,522	8,701
Cost of defined contribution plans included in employee benefits expense	483	551
Allowance for doubtful receivables	674	493
Allowance for inventories	207	6,470
Receivables written off	2,012	-
Inventories written off	2,510	-
Property, plant and equipment written off	2,449	911
Depreciation of property, plant and equipment	6,153	5,469
Amortisation of intangible asset	589	589
Impairment of goodwill	4,200	-
Fair value loss on investment property	875	875
Net foreign exchange loss	378	185
Audit fees:		
- paid/payable to auditors of the Company	170	130
- paid/payable to other auditors	51	18

Receivables written off of \$1,937,000 and inventories written off of \$2,108,000 during the financial year ended June 30, 2016, relates to expenses incurred for cessation of a subsidiary's operations in Malaysia, relating to recycling sales segment, and were recognised in 'Other operating expenses' in profit or loss.

Property, plant and equipment written off of \$2,449,000 during the financial year ended June 30, 2016, mainly relates to rental materials that are misplaced or damaged in the ordinary course of business, relating to other business segment, and was recognised in 'Other operating expenses' in profit or loss.

25 LOSS PER SHARE

Loss per share for the financial year ended June 30, 2016 has been calculated based on the loss for the year of \$16,690,000 (2015 : \$8,411,000) and 39,378,000 (2015 : 39,378,000) shares.

As disclosed in Note 18, the Company completed a share consolidation of every ten ordinary shares in the capital of the Company into one consolidated share on November 24, 2015. The post-consolidation number of shares has been used in the calculations above as the share consolidation was without consideration.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

26 DIVIDENDS

On March 27, 2015, an interim dividend of 0.05 cents per share (total \$197,000) in respect of the financial year ended June 30, 2015 was paid to the shareholders.

On November 25, 2014, a final dividend of 0.25 cents per share (total \$984,000) in respect of the financial year ended June 30, 2014 was paid to the shareholders.

No dividends were declared in respect of the financial year ended June 30, 2016.

27 ACQUISITION OF SUBSIDIARY

On August 13, 2015, the Group acquired Gee Sheng Machinery & Equipment Private Limited ("GSME") for a consideration of \$6,000,000. This transaction has been accounted for by the acquisition method of accounting.

Consideration transferred (at acquisition date fair values)

	\$'000
Cash	<u>6,000</u>

Acquisition-related costs amounting to \$105,000 have been excluded from the consideration transferred and have been recognised as an expense in the period, within the 'administrative expenses' line item in the consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities assumed (at acquisition date fair values)

	\$'000
Current assets:	
Cash and cash equivalents	695
Trade and other receivables	1,196
Inventories	1,637
Non-current asset:	
Property, plant and equipment	3,266
Current liabilities:	
Trade and other payables	(756)
Income tax payable	(78)
Non-current liability:	
Deferred tax liabilities	(290)
Net assets acquired and liabilities assumed	<u>5,670</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

27 ACQUISITION OF SUBSIDIARY (CONTINUED)

The trade and other receivables acquired in this transaction with a fair value of \$1,196,000 had gross contractual amounts of \$1,196,000. There were no amounts that had been assessed to be uncollectable.

Goodwill arising on acquisition

	\$'000
Consideration transferred	6,000
Less: Fair value of identifiable net assets acquired	(5,670)
Goodwill arising on acquisition	<u>330</u>

Goodwill arose in the acquisition of GSME due to benefit of expected synergies, revenue growth and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash outflow on acquisition of subsidiary

	\$'000
Consideration paid in cash	6,000
Less: Cash and cash equivalents acquired	(695)
	<u>5,305</u>

Impact of acquisitions on the results of the Group

Included in the loss for the year is a loss after tax of approximately \$1.0 million attributable to the additional business generated by GSME. Revenue for the year from GSME amounted to \$3,770,000.

Management is of the view that the Group's revenue and loss for the year would not be significantly different had the business combination during the year been effected at July 1, 2015.

28 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 \$1,375,000 (2015 : \$1,305,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

28 COMMITMENTS (CONTINUED)

(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	
	2016 \$'000	2015 \$'000
Not later than one year	2,182	2,032
Later than one year but not later than five years	3,545	4,150
	5,727	6,182

The rental expense for the financial year amounted to \$3,258,000 (2015 : \$2,812,000). The leases have terms from 1 to 6 years (2015 : 2 to 4 years).

(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	
	2016 \$'000	2015 \$'000
Not later than one year	1,590	3,335
Later than one year but not later than five years	964	31
	2,554	3,366

The rental income for the financial year amounted to \$4,637,000 (2015 : \$4,942,000). The leases have terms of 1 to 3 years (2015 : 1 to 3 years).

Income from rental of materials and machineries is disclosed in Note 20. These leases are arranged on a rolling basis with no fixed tenure.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

29 SEGMENT INFORMATION

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is more specifically focused on the following type of business segments:

- 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.
- Engineering services - civil construction and engineering work, and manufacturing of motor vehicle bodies, trailers and semi-trailers.
- 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 profit (loss)	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Recycling sales	37,525	79,385	(10,926)	(7,697)
Trading sales	30,799	38,444	(629)	(4,255)
Scaffolding services*	8,489	9,660	(4,526)	1,375
Engineering services	3,770	-	(1,313)	-
Other business	5,911	6,429	1,709	3,692
Total	86,494	133,918	(15,685)	(6,885)
Fair value loss on investment property			(875)	(875)
Rental income from investment property			1,176	1,516
Unallocated corporate expenses			(2,420)	(3,254)
Other gains and losses			1,917	1,259
Finance costs			(1,152)	(990)
Loss before tax			(17,039)	(9,090)

* Net loss for the year ended June 30, 2016 includes a goodwill impairment loss of \$4,200,000 (Note 11).

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 change in 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

29 SEGMENT INFORMATION (CONTINUED)

Segment assets

	2016 \$'000	2015 \$'000
Recycling sales	21,449	50,486
Trading sales	23,920	26,193
Scaffolding services	19,988	28,223
Engineering services	5,375	-
Other business	27,468	25,776
Total segment assets	98,200	130,678
Investment property	10,937	11,812
Other unallocated assets	3,601	2,839
Total assets	112,738	145,329

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision maker monitors the tangible, intangible and financial 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	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Singapore	49,094	59,532	61,217	65,200
Malaysia	7,777	36,732	-	548
Indonesia	-	4,341	-	-
India	21,709	13,192	-	-
Bangladesh	-	8,863	-	-
Japan	3,027	-	-	-
Korea	1,390	6,691	-	-
China (inclusive of Hong Kong)	1,957	3,504	-	-
Others	1,540	1,063	-	-
	86,494	133,918	61,217	65,748

Information about major customers

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

29 SEGMENT INFORMATION (CONTINUED)

Other segment information

	Depreciation and amortisation		Additions to non-current assets	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Recycling sales	1,173	1,050	1,156	2,524
Trading sales	852	920	36	1,004
Scaffolding services	2,205	1,648	191	446
Engineering services	575	-	102	-
Other business	1,937	2,440	3,398	2,028
Total	6,742	6,058	4,883	6,002

30 EVENT AFTER THE REPORTING PERIOD

On July 8, 2016, the Company acquired 100% ownership interest in a group of three companies – Transvictory Holdings Pte Ltd, Transvictory Winch System Pte Ltd and Steadfast Offshore & Marine Pte Ltd (“Transvictory”) from an unrelated party, for a purchase consideration of \$15.0 million in cash.

Transvictory provides products and engineering services to the offshore and marine industry, mainly involving winches, crane, and deck equipment. The Group sees a good opportunity to expand its footprint to the offshore and marine industry by tapping on the strength of Transvictory’s existing customer networks and relationships, as well as operational synergies that could be harnessed between Transvictory and the Group.

At the date of authorisation of these financial statements, the initial accounting for the acquisition of Transvictory is incomplete as the purchase price allocation and related market valuations have not been finalised. Accordingly, the Group is unable to disclose further details on the acquisition.

31 NEW AND REVISED STANDARDS AND STANDARDS NOT YET EFFECTIVE

On July 1, 2015, 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

31 NEW AND REVISED STANDARDS AND STANDARDS NOT YET EFFECTIVE (CONTINUED)

At the date of authorisation of these financial statements, the following FRSs and amendments to FRS that are relevant to the Group and the Company were issued but not effective:

- Amendments to FRS 1 *Presentation of Financial Statements: Disclosure Initiative*¹
- FRS 109 *Financial Instruments*²
- FRS 115 *Revenue from Contracts with Customers*²
- FRS 116 *Leases*³

¹ Applies to annual periods beginning on or after January 1, 2016, with early application permitted.

² Applies to annual periods beginning on or after January 1, 2018, with early application permitted.

³ Applies to annual periods beginning on or after January 1, 2019, with early application permitted conditional upon application of FRS 115 at or before the date of initial application of FRS 116.

Management is currently evaluating the potential impact of the application of these FRSs and amendments to FRS on the financial statements of the Group and the Company in the respective periods of initial application.

Amendments to FRS 1 *Presentation of Financial Statements: Disclosure Initiative*

The following amendments are relevant to the Group:

- Materiality and aggregation - An entity shall not obscure useful information by aggregating or disaggregating information and materiality considerations apply to the primary statements, notes and any specific disclosure requirements in FRSs.
- Statement of financial position and statement of profit or loss and other comprehensive income - The list of line items to be presented in these statements can be aggregated or disaggregated as relevant. Guidance on subtotals in these statements has also been included.
- Notes - Entities have flexibility when designing the structure of the notes and guidance is introduced on how to determine a systematic order of the notes. In addition, unhelpful guidance and examples with regard to the identification of significant accounting policies are removed.

FRS 109 *Financial Instruments*

FRS 109 *Financial Instruments* replaces FRS 39 *Financial Instruments: Recognition and Measurement* and introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting (iii) impairment requirements for financial assets.

Key requirements of FRS 109 that are relevant to the Group:

- In relation to the impairment of financial assets, FRS 109 requires an expected credit loss model, as opposed to an incurred credit loss model under FRS 39. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

31 NEW AND REVISED STANDARDS AND STANDARDS NOT YET EFFECTIVE (CONTINUED)

FRS 115 Revenue from Contracts with Customers

In November 2015, FRS 115 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. FRS 115 will supersede the current revenue recognition guidance including FRS 18 Revenue, FRS 11 Construction Contracts, and the related interpretations when it becomes effective.

The core principle of FRS 115 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 be the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under FRS 115, 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 perspective guidance has been added in FRS 115 to deal with specific scenarios. Furthermore, extensive disclosures are required by FRS 115.

In June 2016, amendments to FRS 115 was issued to provide clarifications on (i) identifying performance obligations (ii) principal versus agent considerations and (iii) licensing application guidance. The amendments also included two additional transition reliefs on contract modifications and completed contracts.

FRS 116 Leases

FRS 116 was issued in June 2016 and it will supersede FRS 17 *Leases* and its associated interpretative guidance.

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 exceptions for short-term leases and leases of low value assets). The standard maintains substantially the lessor accounting approach under the predecessor FRS 17.

SHAREHOLDING STATISTICS

As at 19 September 2016

Number of shares	:	39,378,100
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share

Treasury Shares

As at 19 September 2016, the Company does not hold any treasury shares.

Distribution of shareholdings as at 19 September 2016

Size of shareholdings	No. of shareholders	%	No. of Shares	%
1 - 99	48	3.09	362	0.00
100 - 1,000	531	34.24	358,062	0.91
1,001 - 10,000	777	50.10	3,078,569	7.82
10,001 - 1,000,000	190	12.25	9,508,219	24.14
1,000,001 and above	5	0.32	26,432,888	67.13
Total	1,551	100.00	39,378,100	100.00

Twenty largest shareholders as at 19 September 2016

No.	Name of shareholders	No. of shares	%
1	Ang Yu Seng	13,724,840	34.85
2	Ang Yew Lai	4,717,105	11.98
3	Goi Seng Hui	3,614,600	9.18
4	Ang Yew Chye	3,255,943	8.27
5	Lian Bee Metal Pte Ltd	1,120,400	2.85
6	Super Group Ltd	610,900	1.55
7	Lim & Tan Securities Pte Ltd	504,600	1.28
8	UOB Kay Hian Pte Ltd	435,100	1.10
9	Phillip Securities Pte Ltd	404,013	1.03
10	OCBC Securities Private Ltd	265,676	0.67
11	Leh Bee Hoe	263,600	0.67
12	United Overseas Bank Nominees Pte Ltd	211,601	0.54
13	Cheng Buck Poh @ Chng Bok Poh	203,400	0.52
14	Maybank Nominees (S) Pte Ltd	192,217	0.49
15	Teo Kek Tjok @Teo Kek Yeng	191,910	0.49
16	Maybank Kim Eng Securities Pte Ltd	185,700	0.47
17	DBS Nominees Pte Ltd	169,800	0.43
18	Seah Kiok Leng	159,300	0.40
19	Lim Puay Lan	153,300	0.39
20	Raffles Nominees (Pte) Ltd	150,670	0.38
	Total:	30,534,675	77.54

SHAREHOLDING STATISTICS

As at 19 September 2016

Substantial Shareholders as at 19 September 2016

Name	Direct Interest		Deemed Interest	
	Number of Shares	(%)	Number of Shares	(%)
Ang Yu Seng	13,724,840	34.85	-	-
Ang Yew Lai	4,717,105	11.98	-	-
Goi Seng Hui	3,614,600	9.18	-	-
Ang Yew Chye	3,255,943	8.27	-	-

As at 19 September 2016, 35.63% 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 of Union Steel Holdings Limited (“the Company”) will be held at 33 Pioneer Road North Singapore 628474 on Tuesday, 25 October 2016 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 2016 together with the Auditors’ Report thereon. **Resolution 1**
2. To approve the payment of Directors’ fees of S\$7,000 for the financial year ended 30 June 2016 **Resolution 2**
3. To approve the payment of Directors’ fees of S\$130,000 for the financial year ending 30 June 2017, payable half yearly in arrears. (2016: S\$130,000) **Resolution 3**
- 4 (a) To re-elect the following Director of the Company retiring pursuant to Regulation 91 of the Constitution of the Company:

Mr. Ang Yu Seng **Resolution 4**
- (b) To note that Mr. Chan Kok Poh will be retiring pursuant to Regulation 91 of the Constitution of the Company and he will not be seeking re-election at this Annual General Meeting
5. 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 5**
6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

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

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

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

- (a) (i) issue shares in the Company (“shares”) whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

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

NOTICE OF ANNUAL GENERAL MEETING

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

(the ***“Share Issue Mandate”***)

provided that:

- (1) the aggregate number of shares (including shares to be issued pursuant to the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the percentage of issued shares and Instruments shall be based on the number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
 - (a) new shares arising from the conversion or exercise of the Instruments or any convertible securities;
 - (b) new shares arising from exercising share options or vesting of share awards outstanding and subsisting at the time of the passing of this Resolution; and
 - (c) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the Share Issue Mandate conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the 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 Annual General Meeting (“AGM”) of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments.

[See Explanatory Note (i)]

Resolution 6

NOTICE OF ANNUAL GENERAL MEETING

8. 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 (ii)]

Resolution 7

By Order of the Board

Chew Kok Liang
Shirley Tan Sey Liy
Company Secretaries
Singapore, 7 October 2016

Explanatory Notes:

- (i) Resolution 6 above, if passed, will empower the Directors of the Company from the date of this AGM until the date of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to twenty per centum (20%) may be issued other than on a pro rata basis to existing shareholders of the Company.

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

- (ii) Resolution 7 above, if passed, will empower the Directors of the Company, from the date of this AGM until the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the vesting of share awards under the Scheme provided that the aggregate additional shares to be issued pursuant to the Scheme do not exceeding in total (for the entire duration of the Scheme) fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

NOTICE OF ANNUAL GENERAL MEETING

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.

This page has been intentionally left blank

UNION STEEL HOLDINGS LIMITED

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

IMPORTANT:

1. 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.
2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, _____ (Name) _____ (NRIC/Passport No./Co. Registration No.)

of _____ (Address)

being *a member/members of **UNION STEEL HOLDINGS LIMITED** (the "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 at the Annual General Meeting (the "Meeting") of the Company to be held at 33 Pioneer Road Singapore 628474 on Tuesday, 25 October 2016 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:	No. of Votes 'For'***	No. of Votes 'Against'***
Ordinary Business			
1	Directors' Statement, Audited Financial Statements and Auditors' Report for the financial year ended 30 June 2016		
2	Approval of Directors' fees amounting to S\$7,000 for the financial year ended 30 June 2016		
3	Approval of Directors' fees amounting to S\$130,000 for the financial year ending 30 June 2017, payable half yearly in arrears (2016: S\$130,000)		
4	Re-election of Mr. Ang Yu Seng as a Director		
5	Re-appointment of Deloitte & Touche LLP as Auditors and to authorise the Directors of the Company to fix their remuneration		
Special Business			
6	Authority to issue new shares		
7	Authority to issue shares under the Union Steel Performance Share Scheme		

* Delete where inapplicable

**If you wish to exercise all your votes 'For' or 'Against', please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2016

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

Signature of Shareholder(s)

or, Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF



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 fit 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 7 October 2016.

This page has been intentionally left blank

This page has been intentionally left blank

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr Ang Yu Seng
Mr Ang Yew Chye
Mr Siau Kai Bing
Mr Chan Kok Poh
Ms Tan Min-Li

NOMINATING COMMITTEE

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

REMUNERATION COMMITTEE

Mr Chan Kok Poh (Chairman)
Mr Siau Kai Bing
Ms Tan Min-Li

AUDIT COMMITTEE

Mr Siau Kai Bing (Chairman)
Mr Chan Kok Poh
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

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



UNION STEEL HOLDINGS LIMITED

33 Pioneer Road North

Singapore 628474

Co Reg. No.: 200410181W

Tel: (65) 6861 9833

Fax: (65) 6862 9833

www.unionsteel.com.sg

creb
Tel: (65) 63278398