



**UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE SECOND FINANCIAL QUARTER ("Q2FY2016") AND HALF YEAR FINANCIAL YEAR ENDED 31 DECEMBER 2015 ("H1FY2016") IN RESPECT OF THE FINANCIAL YEAR ENDING 30 JUNE 2016 ("FY2016")**

**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), FULL YEAR RESULTS**

The balance sheet of the Group as at 31 December 2015, the income statements and cashflow statements of the Group for Q2FY2016 and H1FY2016 had taken into account and consolidated the relevant financial results of Gee Sheng Machinery & Engineering Pte Ltd ("GSME"), a newly acquired 100% owned subsidiary of the Group since 31 August 2015 (the "Acquisition")

**1.(a)(i) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	The Group			The Group		
	Q2FY2016 S\$'000	Q2FY2015 S\$'000	% Change	H1FY2016 S\$'000	H1FY2015 S\$'000	% Change
<b>Revenue</b>	<b>22,881</b>	31,703	(28)	<b>46,183</b>	74,911	(38)
Cost of sales	<b>(19,499)</b>	(28,396)	(31)	<b>(39,910)</b>	(67,735)	(41)
<b>Gross profit</b>	<b>3,382</b>	3,307	2	<b>6,273</b>	7,176	(13)
Other income	<b>1,438</b>	1,623	(11)	<b>2,889</b>	2,990	(3)
Distribution and marketing expenses	<b>(298)</b>	(531)	(44)	<b>(712)</b>	(1,129)	(37)
Administrative expenses	<b>(3,289)</b>	(2,388)	38	<b>(5,948)</b>	(4,752)	25
Other operating expenses	<b>(803)</b>	(1,007)	(20)	<b>(2,002)</b>	(2,016)	(1)
<b>Profit from operations</b>	<b>430</b>	1,004	(57)	<b>500</b>	2,269	(78)
Finance costs	<b>(296)</b>	(221)	34	<b>(622)</b>	(493)	26
<b>(Loss)/Profit before taxation</b>	<b>134</b>	783	(83)	<b>(122)</b>	1,776	NM
Income tax	<b>(80)</b>	(78)	3	<b>(141)</b>	(257)	(45)
<b>(Loss)/Profit after taxation</b>	<b>54</b>	705	(92)	<b>(263)</b>	1,519	NM
<b>Profit attributable to:-</b>						
Owners of the Company	<b>105</b>	705	(85)	<b>(263)</b>	1,519	NM
Non-controlling interests	<b>(51)</b>	-	NM	<b>-</b>	-	NM
	<b>54</b>	705	(92)	<b>(263)</b>	1,519	NM

"Q2FY2016" denotes the second financial quarter of the financial year ended 31 December 2015 ("FY2016").

"H1FY2016" denotes the first half financial year of FY2016.

"Q2FY2015" denotes the second financial quarter of the financial year ended 31 December 2014 ("FY2015").

"H1FY2015" denotes the first half financial year of FY2015.

"% Change" denotes increase/(decrease) in the relevant profit or loss item as compared with the comparative figure.

"NM" denotes not meaningful.



**1.(a)(ii) A statement of comprehensive income for the group together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	The Group			The Group		
	Q2FY2016 S\$'000	Q2FY2015 S\$'000	% Change	H1FY2016 S\$'000	H1FY2015 S\$'000	% Change
Profit for the period	54	705	(92)	(263)	1,519	NM
Exchange differences on translating foreign operations	723	40	1,708	244	40	510
Other comprehensive income, net of tax	723	40	1,708	244	40	510
Total comprehensive income for the period	777	745	4	(19)	1,559	NM
Total comprehensive income attributable to:-						
Owners of the Company	828	745	11	(19)	1,559	NM
Non-controlling interest	(51)	-	NM	-	-	NM
	777	745	4	(19)	1,559	NM

**1.(a)(iii) Net profit for the period was stated after (crediting)/charging:**

	The Group			The Group		
	Q2FY2016 S\$'000	Q2FY2015 S\$'000	% Change	H1FY2016 S\$'000	H1FY2015 S\$'000	% Change
Profit before income tax has been arrived at after charging/(crediting)						
Depreciation of property, plant and equipment	734	1,313	(44)	2,235	2,579	(13)
Amortisation of intangible assets	251	147	71	398	295	35
Net foreign currency exchange (gain)/loss	(142)	4	NM	65	6	983
Loss/(Gain) on disposal of property, plant and equipment	(135)	(188)	(28)	(135)	17	NM
Reversal of allowance for inventories	(2,488)	-	NM	(2,488)	-	NM
Interest income	(19)	(15)	27	(28)	(32)	(13)
Interest expense	296	221	34	622	493	26
Allowance for doubtful debts	-	35	NM	-	85	NM



**1.(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.**

	<u>The Group</u>		<u>The Company</u>	
	<u>As at 31 December 2015 S\$'000</u>	<u>As at 30 June 2015 S\$'000</u>	<u>As at 31 December 2015 S\$'000</u>	<u>As at 30 June 2015 S\$'000</u>
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	26,310	31,194	2,031	1,618
Trade and other receivables	20,017	17,587	8,792	7,481
Inventories	25,275	30,800	-	-
Total current assets	71,602	79,581	10,823	9,099
<b>Non-current assets</b>				
Property, plant and equipment	42,169	41,084	177	204
Investment property	11,813	11,812	-	-
Goodwill	13,237	11,603	-	-
Other intangible assets	795	1,090	-	-
Golf club membership	159	159	159	159
Subsidiaries	-	-	44,802	38,801
Total non-current assets	68,173	65,748	45,138	39,164
<b>Total assets</b>	<b>139,775</b>	<b>145,329</b>	<b>55,961</b>	<b>48,263</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities</b>				
Bank loans and bills payable	29,917	39,516	2,279	4,184
Trade and other payables	9,993	10,469	8,398	6,622
Finance leases	73	70	-	-
Income tax payable	213	392	-	5
Total current liabilities	40,196	50,447	10,677	10,811
<b>Non-current liabilities</b>				
Bank loans	14,738	10,012	10,072	5,372
Finance leases	99	137	-	-
Deferred tax liabilities	4,132	4,104	39	34
Total non-current liabilities	18,969	14,253	10,111	5,406
<b>Capital and reserves</b>				
Share capital	36,603	36,603	36,603	36,603
Capital reserve	5,237	5,237	-	-
Foreign currency translation reserve	(484)	(728)	-	-
Retained earnings/(Accumulated losses)	39,254	39,517	(1,430)	(4,557)
Total equity	80,610	80,629	35,173	32,046
<b>Total liabilities and equity</b>	<b>139,775</b>	<b>145,329</b>	<b>55,961</b>	<b>48,263</b>



**1.(b)(ii) In relation to the aggregate amount of the group's borrowings and debts securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year.**

	The Group	
	As at 31 December 2015 S\$'000	As at 30 June 2015 S\$'000
Amount repayable in one year or less or on demand		
Unsecured	29,179	38,006
Secured	738	1,510
Total	<u>29,917</u>	<u>39,516</u>
Amount repayable after one year		
Unsecured	4,667	5,372
Secured	10,071	4,640
Total	<u>14,738</u>	<u>10,012</u>

**Details of any collateral**

\* These are secured by:

- Mortgages over certain property, plant and equipment of subsidiaries.
- The unsecured amount consists of trust receipts and term loans arising from the ordinary course of business and bank borrowings, which includes an acquisition loan granted to the Company.
- Corporate guarantees by the Company.
- Certain property, plant and equipment are under finance lease arrangements.



**1.(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	<b>The Group</b>			
	<b>Q2FY2016</b> S\$'000	<b>Q2FY2015</b> S\$'000	<b>H1FY2016</b> S\$'000	<b>H1FY2015</b> S\$'000
<b>Operating activities</b>				
(Loss)/Profit before income tax	134	783	(122)	1,776
Adjustments for:				
Depreciation of property, plant and equipment	734	1,313	2,235	2,579
(Gain)/loss on disposal of property, plant and equipment	(135)	(188)	(135)	17
Amortisation of intangible assets	251	147	398	295
Allowance for doubtful debts	-	35	-	85
Reversal of allowance for inventories	(2,488)	-	(2,488)	-
Interest expense	296	221	622	493
Interest income	(19)	(15)	(28)	(32)
Currency realignment	(276)	-	(276)	-
Operating cash flows before movement in working capital	<b>(1,503)</b>	2,296	<b>206</b>	5,213
Inventories	5,974	(259)	9,650	6,493
Trade and other receivables	(189)	3,716	(1,234)	4,471
Trade and other payables	(261)	(2,017)	(1,231)	(4,109)
Cash generated from operations	<b>4,021</b>	3,736	<b>7,391</b>	12,068
Interest paid	(296)	(221)	(622)	(493)
Interest received	19	15	28	32
Income tax paid	(291)	(475)	(370)	(504)
<b>Net cash from operating activities</b>	<b>3,453</b>	3,055	<b>6,427</b>	11,103
<b>Investing activities</b>				
Purchase of property, plant and equipment	(361)	(1,088)	(1,727)	(2,179)
Acquisition of subsidiary, net of cash acquired	(911)	-	(5,328)	-
Proceeds from disposal of property, plant and equipment	135	330	135	337
<b>Net cash used in investing activities</b>	<b>(1,137)</b>	(758)	<b>(6,920)</b>	(1,842)
<b>Financing activities</b>				
Proceeds from bank loans	799	-	5,400	-
Repayment of bank loans	(9,731)	(2,216)	(10,273)	(5,567)
Repayment of bills payable	-	(3,616)	-	(6,977)
Dividend paid	-	(984)	-	(984)
Repayment of finance leases	(17)	(17)	(35)	(34)
<b>Net cash used in financing activities</b>	<b>(8,949)</b>	(6,833)	<b>(4,908)</b>	(13,562)
Net change in cash and cash equivalents	<b>(6,633)</b>	(4,536)	<b>(5,401)</b>	(4,301)
Effect of exchange rate changes on cash and cash equivalents	995	36	517	40
Cash and cash equivalents at beginning of the period	<b>31,948</b>	33,936	<b>31,194</b>	33,697
<b>Cash and cash equivalents at end of the period (Note 1)</b>	<b>26,310</b>	29,436	<b>26,310</b>	29,436

**Note 1:**

Cash and cash equivalents consist of:

	<b>The Group</b>	
	<b>H1FY2016</b> S\$'000	<b>H1FY2015</b> S\$'000
Cash and bank balances	26,310	25,448
Fixed deposits	-	3,988
Cash and cash equivalents	<b>26,310</b>	<b>29,436</b>



**1.(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediate preceding financial year.**

<b>Group</b>	Share capital S\$' 000	Retained earnings S\$' 000	Translation reserve S\$' 000	Capital reserve S\$' 000	Equity attributable to owners of the Company S\$' 000	Non-controlling interest S\$' 000	Total S\$' 000
<i>Balance as at 1 July 2015</i>	36,603	39,517	(728)	5,237	80,629	-	80,629
Total comprehensive income							
Profit for the period	-	(263)	-	-	(263)	-	(263)
Other comprehensive income	-	-	244	-	244	-	244
Total	-	(263)	244	-	(19)	-	(19)
Transactions with owners, recognised directly in equity							
Non-controlling interest arising from acquisition of a subsidiary	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-
<i>Balance as at 31 December 2015</i>	<b>36,603</b>	<b>39,254</b>	<b>(484)</b>	<b>5,237</b>	<b>80,610</b>	<b>-</b>	<b>80,610</b>
<i>Balance as at 1 July 2014</i>	36,603	49,109	(13)	5,237	90,936	-	90,936
Total comprehensive income							
Profit for the period	-	1,519	-	-	1,519	-	1,519
Other comprehensive income	-	-	40	-	40	-	40
Total	-	1,519	40	-	1,559	-	1,559
Transactions with owners, recognised directly in equity							
Dividends	-	(984)	-	-	(984)	-	(984)
<i>Balance as at 31 December 2014</i>	<b>36,603</b>	<b>49,644</b>	<b>27</b>	<b>5,237</b>	<b>91,511</b>	<b>-</b>	<b>91,511</b>
<b>Company</b>	Share capital S\$' 000	Accumulated losses S\$' 000	Total equity S\$' 000				
<i>Balance as at 1 July 2015</i>	36,603	(4,557)	32,046				
Total comprehensive income	-	3,127	3,127				
Dividends	-	-	-				
<i>Balance as at 31 December 2015</i>	<b>36,603</b>	<b>(1,430)</b>	<b>35,173</b>				
<i>Balance as at 1 July 2014</i>	36,603	(3,827)	32,776				
Total comprehensive income	-	229	229				
Dividends	-	(984)	(984)				
<i>Balance as at 31 December 2014</i>	<b>36,603</b>	<b>(4,582)</b>	<b>32,021</b>				



- 1.(d)(ii) Details of any changes in the company's share capital arising from right issue, bonus issue, share buy-back, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

As at the end of the last financial year, the number of issued ordinary shares excluding treasury shares for the Company was at 393,781,089. In an extraordinary general meeting dated 31 October 2015, there was a share consolidation exercise, of which every 10 issued ordinary shares as at 23 November 2015 was consolidated into 1 issued ordinary share. This exercise was completed on 24 November 2015 and the total issued ordinary shares excluding treasury shares of the Company is 39,378,100 for the period ended 31 December 2015.

- 1.(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of current financial period and as at the end of the immediately preceding year.**

As at 31 December 2015, the Company does not have treasury shares.

- 1.(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

- 2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited nor reviewed by the Company's auditors.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).**

Not applicable.

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group has applied the same accounting policies and methods of computation in the financial year as those applied for the audited financial statements for the year ended 30 June 2015.

- 5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

Not applicable.



**6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	<b>The Group</b>	
	<b>H1FY2016</b>	<b>H1FY2015</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<b>(Loss)/profit attributable to shareholders</b>	<b>(263)</b>	<b>1,519</b>
<b>Earnings per share</b>		
Basic (Singapore cents)	<b>(0.67) cents*</b>	<b>3.86 cents**</b>
Diluted (Singapore cents)	<b>(0.67) cents*</b>	<b>3.86 cents**</b>

\* Basic and diluted earnings per share for H1FY2016 is computed based on loss for the period attributable to ordinary shareholders amounting to about S\$0.3 million and the weighted average number of shares of 39,378,100.

\*\* Basic and diluted earnings per share for H1FY2015 is computed based on profit for the period attributable to ordinary shareholders amounting to about S\$1.5 million and the weighted average number of shares of 39,378,100.

There were no potential dilutive shares as at 31 December 2015.

The weighted average number of shares for calculation of Earnings per share has been restated for comparative purposes.

**7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued share capital excluding treasury shares of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year.**

	<b>The Group</b>		<b>The Company</b>	
	<b>As at</b>	<b>As at</b>	<b>As at</b>	<b>As at</b>
	<b>31 December</b>	<b>30 June</b>	<b>31 December</b>	<b>30 June</b>
	<b>2015</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
Net asset value as at the respective balance sheet dates	<b>80,610</b>	<b>80,629</b>	<b>35,173</b>	<b>32,046</b>
Net asset value per ordinary share based on issued share capital as at the respective balance sheet dates (Singapore cents)	<b>204.7 cents</b>	<b>204.8 cents</b>	<b>89.3 cents</b>	<b>81.4 cents</b>

The number of shares for calculation of Net Assets Value has been restated for comparative purposes.



- 8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the Group's business. The review must discuss any significant factors that affected the turnover, costs and earning of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period report on.**

**Overview**

The Group, comprising Union Steel Holdings Limited (the "Company") and its subsidiaries, started operations as YLS Steel Pte Ltd which was involved in the trading of ferrous scrap metal. Union Steel Holdings Limited was listed on SGX-ST Mainboard on 15 August 2005. Today, the Group is engaged in related businesses which comprise; (i) recycling of ferrous and non-ferrous scrap metal; (ii) trading of steel products and non-ferrous metal products; (iii) rental of sheet piles, steel plates, test piles and beams; (iv) leasing of industrial properties; and (v) provision of scaffolding services and related consultancy services. After the acquisition ("The Acquisition") of Gee Sheng Machinery & Engineering Ptd Ltd ("GSME"), the Company has extended its footprint to the business of civil construction and engineering work and the manufacture of motor vehicle bodies (coachwork), trailers and semi-trailers.

**(a) Review of the financial performance of the Group for H1FY2016 (compared to that of H1FY2015) and for Q2FY2016 (compared to that of Q2FY2015)**

The Group's revenue decreased by 38.3% in H1FY2016 (vis-à-vis H1FY2015) and by 27.8% in Q2FY2016 (vis-à-vis Q2FY2016), due principally to the lower contribution from its recycling and trading business in Malaysia and Singapore, and offset by the maiden revenue contribution of S\$2.8 million from GSME following its Acquisition .

Notwithstanding the decrease of the Group's revenue, the Group's gross profit increased by 2.3% in Q2FY2016 compared to the same period last year as a result of the Group's gross profit margin improving from 10.4% in Q2FY2015 to 14.8% in Q2FY2016. The improvement in gross profit margin was due mainly to the: 1) write back of the inventory allowance after the relevant product has been sold, and 2) revenue contribution from GSME, whereby the business segment commands higher profit margin relative to the Group's recycling and trading business segments.

The Group's other operating income decreased to S\$1.4 million in Q2FY2016 from S\$1.6 million in Q2FY2015, due mainly to the lower rental income generated.

The decrease in distribution and marketing expenses in H1FY2016 and Q2FY2016 relative to the same periods last year were mainly attributed to the reduction of import and export activities.

The increases in administrative expenses in H1FY2016 and Q2FY2016 relative to the same periods last year were mainly attributed to the consolidation of GSME's administrative expenses after acquisition.

The Group's other operating expenses decreased by 20.3% in Q2FY2016 (vis-à-vis Q2FY2015), due to the rebate of land rental and decrease in provision for doubtful debts.

Finance costs increased as a result of the Acquisition.

The increase in income tax expense was mainly due to the additional tax payable as a result of the under provision of previous year tax payable.



**(b) Review of financial position of the Group as at 31 December 2015 compared to that as at 30 June 2015**

The increase in trade and other receivables and goodwill were mainly due to the consolidation of GSME's financial position after the Acquisition.

The inventories decreased by 17.9% to S\$25.3 million as at 31 December 2015 from S\$30.8 million as at 30 June 2015, mainly due to lower purchases towards the end of the Q2FY2016.

The Group's total bank loans and bills payable decreased by 9.8% to S\$44.7 million as at 31 December 2015 from S\$49.5 million as at 30 June 2015. The decrease was attributed mainly to the repayment of the bank loans.

The Group's cash and cash equivalents decreased by S\$4.9 million to S\$26.3 million as at 31 December 2015 from S\$31.2 as at 30 June 2015, chiefly as a result of lower cash generated from the operating activities, extended credit terms to customers, and repayment of bank loans. Nonetheless, the Group's working capital position improved by S\$2.3 million to S\$31.4 million as at 31 December 2015 from S\$29.1 million as at 30 June 2015 and the net gearing of the Group (defined as the ratio of the aggregate of interest bearing loans net of cash and cash equivalents to total equity) held constant at 22.9% as at 31 December 2015 as compared to 30 June 2015.

**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

Not applicable.

**10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

The outlook for the steel industry remains challenging, and the Group faces pressure from three factors; (i) global steel production shrinking by the most in six years, (ii) fluctuation of steel prices, driven by oversupply and weak global demand, and (iii) fierce competition from other steel players in the region.

Amidst signs of the weak market environment, the Group will continue to streamline its business operations and to reduce the inventory level, particularly for the slow moving stock. The Group has and will continue to diversify its business segments in order to reduce the impact of the fluctuation of steel demand and price. After the Acquisition, the Group will continue to streamline GSME processes as well as harness synergies with the Group.

**11. Dividend**

**(a) Current Financial Period Reported On**

**Any dividend declared for the current financial period reported on?**

None.

**(b) Corresponding Period of the immediately Preceding Financial Year**

**Any dividend declared for the corresponding period of the immediately preceding financial year?**

During Q2FY2015, the Company declared a tax exempt one-tier interim dividend of SGD 0.0005 cents per ordinary share for FY2015 and the dividends, aggregating S\$0.2 million, were paid on 27 March 2015.



**(c) Date payable**

Not applicable.

**(d) Books closure date**

Not applicable.

**12. If no dividend has been declared/recommendeded, a statement to that effect**

Not applicable.

**13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, statement to that effect.**

The Group does not have a general mandate from shareholders for IPTs.

**14 Confirmation by Directors pursuant to Rule 705(5) of the SGX Listing Manual**

The Directors of the Company confirm that to the best of their knowledge, nothing has come to their attention which may render these unaudited interim financial statements for the half year financial period ended 31 December 2015, to be false or misleading in any material aspect.

**BY ORDER OF THE BOARD**

**ANG YU SENG**

Executive Chairman and Chief Executive Officer

12 February 2016