



Unaudited First Quarter Financial Statement And Dividend Announcement For the Period Ended 30 September 2008

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

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

	GROUP		%
	Q1 FY09 S\$'000	Q1 FY08 S\$'000	Increase/ (Decrease)
Revenue	101,191	51,929	94.9
Cost of sales	(90,771)	(47,798)	89.9
Gross profit	10,420	4,131	152.2
Other operating income	2,545	2,541	0.2
Distribution cost	(1,465)	(705)	107.8
Administrative expenses	(2,692)	(2,177)	23.7
Other operating expenses	(3,912)	(393)	895.4
Profit from operations	4,896	3,397	44.1
Finance costs	(654)	(670)	(2.4)
Profit before taxation	4,242	2,727	55.6
Income tax expense	(509)	(490)	3.9
Net Profit	3,733	2,237	66.9
Attributable to:			
Equity holders of the Company	3,733	2,237	66.9
Minority Interests	-	-	
Net Profit	3,733	2,237	

Net Profit attributable to shareholders is arrived at after crediting/ (charging) the following:-

	GROUP		%
	Q1 FY09 S\$'000	Q1 FY08 S\$'000	Increase/ (Decrease)
Allowance for doubtful debts	(1)	-	n.m.
Depreciation of property, plant and equipment	(1,183)	(971)	21.8
Reversal/ (Allowance) for impairment loss in value of inventories	(814)	819	(199.4)
Interest expenses	(654)	(671)	(2.5)
Net foreign exchange gain/ (loss)	(1,945)	537	(462.2)
Gain on disposal of property, plant and equipment	519	22	2,259.1
Adjustment for over provision of tax in respect of prior year	236	-	n.m.
Interest income	76	47	61.7
Property, plant and equipment written off	(4)	-	n.m.
Inventories written off	(341)	-	n.m.

Certain reclassifications have been made to prior year's results to enhance comparability with current year results.

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

	Group		Company	
	30.09.2008	30.06.2008	30.09.2008	30.06.2008
	S\$'000	S\$'000	S\$'000	S\$'000
Current assets				
Inventories	82,604	70,478	-	-
Trade and other receivables	27,219	27,865	180	11,161
Amount due from subsidiaries	-	-	11,599	-
Cash and cash equivalents	40,359	30,402	5,833	6,240
	<u>150,182</u>	<u>128,745</u>	<u>17,612</u>	<u>17,401</u>
Non-current assets				
Properties, plant and equipment	22,195	21,993	214	230
Investments in subsidiaries	-	-	17,506	17,506
Golf club membership	159	159	159	159
Financial assets available for sale	4,714	6,728	4,714	6,728
Goodwill on consolidation	2,237	2,237	-	-
	<u>29,305</u>	<u>31,117</u>	<u>22,593</u>	<u>24,623</u>
Total assets	<u>179,487</u>	<u>159,862</u>	<u>40,205</u>	<u>42,024</u>
Current liabilities				
Trade and other payables	18,994	20,830	469	485
Bank borrowings and bills payable	68,331	48,796	-	-
Obligations under hire purchase contracts	1,698	1,188	94	94
Income tax payable	4,976	4,545	-	-
Deferred gain on sale of properties	2,074	2,074	-	-
	<u>96,073</u>	<u>77,433</u>	<u>563</u>	<u>579</u>
Non-current liabilities				
Bank borrowings	3,594	3,872	-	-
Obligations under hire purchase contracts	144	189	16	39
Deferred income tax liabilities	895	895	-	-
Deferred gain on sale of properties	8,642	9,160	-	-
	<u>13,275</u>	<u>14,116</u>	<u>16</u>	<u>39</u>
Total liabilities	<u>109,348</u>	<u>91,549</u>	<u>579</u>	<u>618</u>
Net assets	<u>70,139</u>	<u>68,313</u>	<u>39,626</u>	<u>41,406</u>
Equity attributable to equity holders of the parent				
Share capital	29,757	29,612	29,757	29,612
Capital reserves	2,042	2,080	2,042	2,080
Fair value reserves	(4,603)	(2,589)	(4,603)	(2,589)
Retained earnings	42,943	39,210	12,430	12,303
	<u>70,139</u>	<u>68,313</u>	<u>39,626</u>	<u>41,406</u>
Minority interests	-	-	-	-
Total equity	<u>70,139</u>	<u>68,313</u>	<u>39,626</u>	<u>41,406</u>

See note 8 for more explanation on the balance sheet review

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 30 September 2008		As at 30 June 2008	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
5,555	64,474	2,347	47,637

Amount repayable after one year

As at 30 September 2008		As at 30 June 2008	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
3,738	-	4,060	-

Details of any collateral

Borrowings of S\$7.451 million is secured by a mortgage over the properties of the Company's subsidiaries and the balance of S\$1.842 million relates to hire purchase financing of plant and machinery.

The unsecured amount consists of trust receipts held by the Company's subsidiaries arising from the ordinary course of business and bank borrowings. Certain Group borrowings are covered by corporate guarantee.

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

	Group	
	Q1 FY09 S\$'000	Q1 FY08 S\$'000
Cash flows from operating activities:		
Profit before income tax	4,242	2,727
Adjustments for:		
Depreciation of property, plant and equipment	1,183	971
Gain on disposal of property, plant and equipment	(519)	(22)
Property, plant and equipment written off	4	-
Inventories written off	341	-
Interest expense	654	671
Interest income	(76)	(47)
Allowance for doubtful trade receivables	1	-
Allowance for impairment loss in value of inventories	814	(819)
Operating profit before working capital changes	6,644	3,481
Changes in working capital:		
Inventories	(13,281)	(8,393)
Trade and other receivables	66	(1,471)
Other receivables and prepayments	579	(1,105)
Trade and other payables	(1,836)	3,435
Cash (used in) / generated from operations	(7,828)	(4,053)
Income tax paid	(78)	-
Interest paid	(654)	(671)
Interest income received	76	47
Net cash used in operating activities	(8,484)	(4,677)
Cash flows from investing activities:		
Payment for purchase of property, plant and equipment	(351)	(154)
Investment in financial assets, available for sale	-	(9,317)
Proceeds from disposal of property, plant and equipment	-	22
Net cash provided by / (used in) investing activities	(351)	(9,449)
Cash flows from financing activities:		
Proceeds from issue of new shares	145	-
Proceeds from issue of warrants	(38)	-
Proceeds from bank loans	2,698	10,490
Repayment of bank loans	(3,510)	(4,055)
Proceeds from / (Repayment) of hire purchase liabilities	(572)	(88)
Net proceeds from bills payable to banks	21,696	(401)
Net cash from financing activities	20,419	5,946
Net increase/(decrease) in cash and cash equivalents	11,584	(8,180)
Cash and cash equivalents at beginning of year	28,775	20,163
Cash and cash equivalents at end of the year	40,359	11,983
Cash and cash equivalents at end of the year includes the following:		
Cash and bank balances	19,632	6,743
Fixed deposits	20,727	5,240
Cash and cash equivalents at end of the year	40,359	11,983

- 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 capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statement of changes in Equity - Group

	Share Capital S\$' 000	Warrants S\$' 000	Fair Value Reserve S\$' 000	Revenue Reserves S\$' 000	Total S\$' 000	Minority Interests S\$' 000	Total equity S\$' 000
Balance as at 1 July 2008	29,612	2,080	(2,589)	39,210	68,313	-	68,313
Changes in equity for the year							
Capital contribution						-	-
Dividend paid	-			-	-		-
Fair value adjustment of investment	-		(2,014)	-	(2,014)	-	(2,014)
Profit for the year				3,733	3,733	-	3,733
Increase of share capital	145				145		145
Warrants	-	(38)		-	(38)	-	(38)
Balance at 30 September 2008	29,757	2,042	(4,603)	42,943	70,139	-	70,139
Balance as at 1 July 2007	29,601			17,558	47,159	45	47,204
Changes in equity for the year							
Profit for the year	-			2,726	2,726	-	2,726
Balance at 30 September 2007	29,601	-	-	20,284	49,885	45	49,930

Statement of changes in Equity - Company

	Share Capital S\$' 000	Warrants S\$' 000	Fair Value Reserve S\$' 000	Revenue Reserves S\$' 000	Total S\$' 000
Balance as at 1 July 2008	29,612	2,080	(2,589)	12,303	41,406
Changes in equity for the year					
Dividend paid	-			-	-
Fair value adjustment of investment			(2,014)	-	(2,014)
Profit for the year	-			127	127
Increase of share capital	145				145
Warrants		(38)			(38)
Balance at 30 September 2008	29,757	2,042	(4,603)	12,430	39,626
Balance as at 1 July 2007	29,601			4,751	34,352
Changes in equity for the year					
Profit for the year	-			(55)	(55)
Balance at 30 September 2007	29,601	-	-	4,696	34,297

- 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.**

Warrants

On 17 April 2008, the Company issued and allotted 69,421,050 listed and quoted warrants on the basis of one warrant for every five existing ordinary shares. The number of shares that may be issued upon the exercise of all the warrants is 69,421,050 ordinary shares.

As at 30 September 2008, the total number of shares issued upon the exercise of all warrants is 1,041,000 ordinary shares (30 September 2007: Nil).

- 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 30 September 2008, the share capital of the Company was 348,146,250 ordinary shares (30 September 2007: 347,105,250 ordinary 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 statements for the current financial period as compared with the most recently audited annual financial statement for the financial year ended 30 June 2008.

- 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.**

The Group

Earnings per ordinary share (cents)	30-Sep-08	30-Sep-07
(i) Based on weighted average number of ordinary shares in issue	1.07	0.64
(ii) On a fully diluted basis	1.04	0.64

The earnings per share for the period ended 30 September 2008 is calculated by dividing the profit attributable to shareholders of \$3,733,000 (30 September 2007: \$2,237,000) by the weighted average number of ordinary shares of 347,975,765 (30 September 2007: 347,105,250) in issue during the financial period.

The diluted earnings per share for the period ended 30 September 2008 is calculated by dividing the profit attributable to shareholders of \$3,733,000 (30 September 2007: \$2,237,000) by the adjusted weighted average number of ordinary shares of 357,911,330 (30 September 2007: 347,105,250) in issue during the financial period.

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

	Group		Company	
	30-Sep-08	30.06.08	30-Sep-08	30.06.08
Net asset value per ordinary share based on issued shares capital as at the end of the period reported on	20.16 cents	19.68 cents	11.39 cents	11.93 cents

The net asset value per share of the Group has been calculated based on equity attributable to shareholders of \$70,139,000 (30 June 2008: \$68,313,000) and share capital of 347,975,765 (30 June 2008: 347,122,500) ordinary shares.

The net asset value per share of the Company has been calculated based on equity attributable to shareholders of \$39,626,000 (30 June 2008: \$41,406,000) and share capital of 347,975,765 (30 June 2007: 347,122,500) ordinary shares.

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

INCOME STATEMENT REVIEW

Revenue

The Group's revenue jumped by 94.9% or \$49.3 million to S\$101.1 million in Q1 FY2009 from \$51.9 million for the corresponding period in the preceding financial year. Revenue increased mainly due to increase in exports sales for both ferrous and non-ferrous metals.

Profitability

Gross profit increased by 152.2% or \$6.3 million to \$10.4 million in Q1 FY2009 compared to \$4.1 million in Q1 FY2008. Higher gross margin was mainly due to an increase in revenue with relatively fix and better control of direct cost.

Rental expense on leased back properties, foreign exchange loss caused by the appreciation of USD against SGD and impairment of inventories due to drop in metal prices contributed to the increase in other operating expenses. This, along with higher level of business activities have resulted in higher total operating expenses for Q1 FY2009. Total operating expenses increased by 143.3% or S\$4.7 million, rising from S\$3.3 million (Q1 FY2008) to \$8.0 million in Q1 FY2009.

Distribution cost increased by 107.8% or \$0.8 million to \$1.5 million (Q1 FY2008: \$0.7 million) corresponding to the increase in revenue. Administrative expenses increased by \$0.4 million to \$2.6 million (Q1 FY2008: \$2.2 million) of much \$0.2 million was for the consolidation of Lim Asia in Q1 FY2009.

Other operating income had no significant change and remained at \$2.5 million in Q1 FY2009 (Q1 FY2008: \$2.5 million). This was mainly due to higher rental income of \$1.6 million in Q1 FY2009 (Q1 FY2008: \$0.9 million) and recognition of part of the deferred gain on sales of properties in FY2008, offset by foreign exchange loss of \$1.9 million in Q1 FY2009 from \$0.5 million gain in Q1 FY2008 and no reversal for impairment of inventories in Q1 FY2009 compared to \$0.8 million reversal for impairment of inventories in Q1 FY2008.

Consequently, profit from operations improved by 44.1% or \$1.5 million to \$4.9 million (Q1 FY2008: \$3.4 million).

Finance costs decreased slightly by 2.4% or \$0.02 million to \$0.65 million (Q1 FY2008: \$0.67 million). This was mainly due to a reduction in bank loan interest.

Net profit after tax in Q1 FY2009 rose by 66.9% or \$1.5 million to \$3.7 million from \$2.2 million in Q1 FY2008.

BALANCE SHEET REVIEW**Current Assets**

The Group's current assets were valued at \$150.2 million as at 30 September 2008, an increase of \$21.5 million from \$128.7 million as at 30 June 2008. This was mainly due to an increase in inventories to meet the higher sales volumes.

Non-current Assets

The Group's non-current assets were valued at \$29.3 million as at 30 September 2008, an decrease of \$1.8 million from \$31.1 million as at 30 June 2008. This was mainly due to a reduction in the fair value of financial assets available for sale.

Current Liabilities

The Group's current liabilities were \$96.1 million as at 30 September 2008, an increase of \$18.7 million from \$77.4 million as at 30 June 2008. Current borrowings increased by \$19.5 million mainly due to trust receipts obtained for ordinary course of business activities. This was offset by the decrease of \$1.8 million in trade and other payables.

Non-current Liabilities

The Group's non-current liabilities were \$13.3 million as at 30 September 2008, a decrease of \$0.8 million from \$14.1 million as at 30 June 2008. This was mainly a result of a decrease of \$0.3 million in bank loan and \$0.6 million in recognition of part of deferred gain on sale of properties in FY2008.

Shareholders' Equity

Shareholders' equity were \$70.1 million as at 30 September 2008, an increase of \$1.8 million from \$68.3 million as at 30 June 2008. The increase of \$3.7 million in accumulated profit in Q1 FY2009, was offset by the reduction of fair value reserve of \$2.0 million mainly due to mark to market price adjustment for quoted investment.

CASH FLOW STATEMENT REVIEW

Net cash used in operating activities in Q1 FY2009 was S\$8.5 million compared to the net cash used in operations of S\$4.7 millions of the correspondent in FY2008. This was due mainly to an increase in inventories held and a reduction of trade and other payable.

Total borrowings was S\$73.8 million as at 30 September 2008 compared to S\$54.0 millions as at 30 June 2008. The increase due to an increase in trust receipts arising from the ordinary course of business and result in net cash generated from financing activities.

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

In the FY2008 financial results announcement, it was stated that barring unforeseen circumstances, the Group will remain profitable for FY2009. Given the deterioration of the economic conditions and business environment, the Group is likely to incur a loss in Q2 FY2009, and uncertainties will probably persist for the rest of FY2009.

- 10 **A commentary at the date of the announcement of the significant trends and 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 global economic downturn and financial market woes have caused a plunge in demand for steel products. There have been delays in construction projects due to the lack lustre property market and the generally poor market sentiments.

With construction project delays, production activities at the steel mills have been reduced and the sources of scraps have also diminished, thus creating an industry wide slowdown and downward pressure on metal prices.

Although the long term prospects of the industry remains optimistic given the many mega projects that are under construction, the current economic uncertainties will have a negative impact on the Group's financial performance. The Group is likely to incur a loss for Q2 FY2009 and if the challenges persist, the negative impact on the Group's financial performance may continue for the rest of FY2009.

The Group has already taken steps to further manage its business and operating risk and will vigilantly put in place measures to cut cost and to minimise the adverse effects of the current unfavourable business conditions.

- 11 **Dividend**

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on ? No

(b) Corresponding Period of the Immediately Preceding Financial Year

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

	FY2008	FY2008
Name of Dividend	Interim	Final
Dividend Type	Cash	Cash
Dividend Rate	1.0 cents per ordinary share	3.0 cents per ordinary share
Tax Rate	N.A. (one-tier tax exempt)	N.A. (one-tier tax exempt)

(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

BY ORDER OF THE BOARD

ANG YU SENG
CEO/ EXECUTIVE DIRECTOR
13 November 2008

UNION STEEL HOLDINGS LIMITED

(Company Registration No. 200410181W)

Confirmation by Directors pursuant to Rule 705(4) of the Listing Manual of the SGX-ST

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm that, to the best of our knowledge, nothing material has come to the attention of the Board of Directors of the Company which may render the financial results for the first quarter ended 30 September 2008 to be false or misleading.

On behalf of the Board of Directors

ANG YU SENG
CEO/ EXECUTIVE DIRECTOR

ANG YEOW LAI
DIRECTOR