



**Unaudited First Half Financial Statement And Dividend Announcement For the Period Ended 31 December 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		%
	1H 2009 S\$'000	1H 2008 S\$'000	Increase/ (Decrease)
Revenue	155,132	112,407	38.0
Cost of sales	(146,617)	(103,351)	41.9
<b>Gross profit</b>	<b>8,515</b>	<b>9,056</b>	<b>(6.0)</b>
Other operating income	6,174	14,351	(57.0)
Distribution cost	(2,285)	(1,419)	61.0
Administrative expenses	(4,687)	(5,358)	(12.5)
Other operating expenses	(16,082)	(1,035)	1,453.8
Finance costs	(1,332)	(1,394)	(4.4)
<b>Profit before taxation</b>	<b>(9,697)</b>	<b>14,201</b>	<b>(168.3)</b>
Income tax expense	(167)	(1,041)	(84.0)
<b>Profit for the year</b>	<b>(9,864)</b>	<b>13,160</b>	<b>(175.0)</b>
Attributable to:			
Equity holders of the Company	(9,864)	13,160	(175.0)
Minority Interests	-	-	-
<b>Profit for the year</b>	<b>(9,864)</b>	<b>13,160</b>	

Profit for the year is arrived at after crediting/ (charging):-

	GROUP		%
	1H 2009 S\$'000	1H 2008 S\$'000	Increase/ (Decrease)
Allowance for doubtful debts	(1)	-	n.m.
Depreciation of property, plant and equipment	(2,422)	(1,912)	26.7
Allowance for impairment loss in value of inventories	(4,104)	-	n.m.
Allowance for impairment loss in investment	(6,985)	-	n.m.
Interest expenses	(1,331)	(1,394)	(4.5)
Foreign exchange gain / (loss)	(2,484)	1,300	(291.1)
Gain on disposal of property, plant and equipment	1,200	9,389	(87.2)
Interest income	136	87	56.3
Bad debts (written off) / recovered	(10)	-	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	
	31-Dec-08	30-Jun-08	31-Dec-08	30-Jun-08
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Current assets</b>				
Inventories	56,493	70,478	-	-
Trade and other receivables	24,286	27,865	165	11,161
Amounts owing by subsidiaries	-	-	1,241	-
Cash and cash equivalents	23,628	30,402	6,008	6,240
	<u>104,407</u>	<u>128,745</u>	<u>7,414</u>	<u>17,401</u>
<b>Non-current assets</b>				
Properties, plant and equipment	22,124	21,993	197	230
Investments in subsidiaries	-	-	17,506	17,506
Golf club membership	159	159	159	159
Financial assets available for sale	2,331	6,728	2,331	6,728
Goodwill on consolidation	2,237	2,237	-	-
	<u>26,851</u>	<u>31,117</u>	<u>20,193</u>	<u>24,623</u>
<b>Total assets</b>	<u><b>131,258</b></u>	<u><b>159,862</b></u>	<u><b>27,607</b></u>	<u><b>42,024</b></u>
<b>Current liabilities</b>				
Trade and other payables	23,485	20,830	343	485
Bill payable and bank borrowings	38,018	48,796	-	-
Obligations under hire purchase contracts	1,783	1,188	47	94
Provision for taxation	2,451	4,545	9	-
Deferred gain on sale of properties	2,074	2,074	-	-
	<u>67,811</u>	<u>77,433</u>	<u>399</u>	<u>579</u>
<b>Non-current liabilities</b>				
Bank borrowings	3,315	3,872	-	-
Obligations under hire purchase contracts	125	189	39	39
Deferred taxation	895	895	-	-
Deferred gain on sale of properties	8,123	9,160	-	-
	<u>12,458</u>	<u>14,116</u>	<u>39</u>	<u>39</u>
<b>Total liabilities</b>	<u><b>80,269</b></u>	<u><b>91,549</b></u>	<u><b>438</b></u>	<u><b>618</b></u>
<b>Net assets</b>	<u><b>50,989</b></u>	<u><b>68,313</b></u>	<u><b>27,169</b></u>	<u><b>41,406</b></u>
<b>Equity attributable to equity holders of the parent</b>				
Share capital	30,256	29,612	30,256	29,612
Capital reserves	1,932	2,080	1,932	2,080
Fair value reserve	-	(2,589)	-	(2,589)
Retained earnings	18,801	39,210	(5,019)	12,303
	<u>50,989</u>	<u>68,313</u>	<u>27,169</u>	<u>41,406</u>
Minority interests	-	-	-	-
<b>Total equity</b>	<u><b>50,989</b></u>	<u><b>68,313</b></u>	<u><b>27,169</b></u>	<u><b>41,406</b></u>

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

**Amount repayable in one year or less, or on demand**

As at 31 December 2008		As at 30 June 2008	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
2,942	36,859	2,347	47,637

**Amount repayable after one year**

As at 31 December 2008		As at 30 June 2008	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
3,440	0	4,060	0

**Details of any collateral**

Borrowings of S\$4.47 million is secured by a mortgage over the properties of the Company's subsidiaries and the balance of S\$1.91 million relates to hire purchase financing of plant and machinery.

- 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 6 months ended	
	31-Dec-08 S\$'000	31-Dec-07 S\$'000
<b>Cash flows from operating activities:</b>		
(Loss) / Profit before income tax	(9,697)	14,201
Adjustments for:		
Depreciation of property, plant and equipment	2,422	1,912
Gain on disposal of property, plant and equipment	(1,200)	(9,389)
Property, plant and equipment written off	4	-
Interest expense	1,331	1,394
Interest income	(136)	(87)
Allowance for doubtful trade receivables	1	-
Allowance for impairment loss in investments	6,985	-
Allowance for impairment loss in value of inventories	4,104	-
Operating profit before working capital changes	3,814	8,031
Changes in working capital:		
Inventories	9,880	(5,621)
Trade and other receivables	2,832	(6,211)
Other receivables and prepayments	746	(1,158)
Trade and other payables	2,657	3,083
Cash generated from / (used in) operations	19,929	(1,876)
Income tax paid	(2,262)	(850)
Interest paid	(1,331)	(1,394)
Interest income received	136	87
<b>Net cash generated from / (used in) operating activities</b>	<b>16,472</b>	<b>(4,033)</b>
<b>Cash flows from investing activities:</b>		
Payment for purchase of property, plant and equipment	(2,557)	(1,154)
Payment for acquisition in other investments	-	(15)
Payment for acquisition of financial assets available for sale	-	(9,317)
Proceeds from disposal of property, plant and equipment	164	35,349
Capital contribution from minority shareholders of subsidiary	-	-
<b>Net cash (used in) / from investing activities</b>	<b>(2,393)</b>	<b>24,863</b>
<b>Cash flows from financing activities:</b>		
Proceeds from issue of new shares	644	-
Decrease in warrants	(149)	-
Proceeds from bank loans	10,198	-
Repayment of bank loans	(3,789)	(1,425)
Proceeds from / (Repayment) of hire purchase liabilities	532	131
Repayment of bills payable to banks	(16,230)	-
Dividend paid	(10,545)	(3,471)
<b>Net cash used in financing activities</b>	<b>(19,339)</b>	<b>(4,765)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(5,260)</b>	<b>16,065</b>
Cash and cash equivalents at beginning of year	28,775	20,163
<b>Cash and cash equivalents at end of the year</b>	<b>23,515</b>	<b>36,228</b>
<b>Cash and cash equivalents at end of the year includes the following:</b>		
Bank overdraft	(113)	-
Cash and bank balances	20,612	11,960
Fixed deposits	3,016	24,268
<b>Cash and cash equivalents at end of the year</b>	<b>23,515</b>	<b>36,228</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 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
<b>Balance as at 1 July 2008</b>	29,612	2,080	(2,589)	39,210	68,313	-	68,313
Changes in equity for the year							
Capital contribution	-	-			-	-	-
Dividend paid	-			(10,545)	(10,545)		(10,545)
Fair value adjustment of investment	-		2,589	-	2,589	-	2,589
Profit for the year				(9,864)	(9,864)	-	(9,864)
Increase of share capital	644				644		644
Warrants	-	(148)		-	(148)	-	(148)
<b>Balance at 31 December 2008</b>	<b>30,256</b>	<b>1,932</b>	<b>-</b>	<b>18,801</b>	<b>50,989</b>	<b>-</b>	<b>50,989</b>
<b>Balance as at 1 July 2007</b>	29,601			17,558	47,159	45	47,204
Changes in equity for the year							
Capital contribution	-			-	-	-	-
Dividend paid	-			(3,471)	(3,471)	-	(3,471)
Fair value adjustment of investment			3,884		3,884	-	3,884
Profit for the year	-			13,160	13,160	-	13,160
<b>Balance at 31 December 2007</b>	<b>29,601</b>	<b>-</b>	<b>3,884</b>	<b>27,247</b>	<b>60,732</b>	<b>45</b>	<b>60,777</b>

**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
<b>Balance as at 1 July 2008</b>	29,612	2,080	(2,589)	12,303	41,406
Changes in equity for the year					
Dividend paid	-			(10,544)	(10,544)
Fair value adjustment of investment			2,589	(6,985)	(4,396)
Profit for the year	-			207	207
Increase of share capital	644				644
Warrants		(148)			(148)
<b>Balance at 31 December 2008</b>	<b>30,256</b>	<b>1,932</b>	<b>-</b>	<b>(5,019)</b>	<b>27,169</b>
<b>Balance as at 1 July 2007</b>	29,601			4,751	34,352
Changes in equity for the year					
Dividend paid	-			(3,471)	(3,471)
Fair value adjustment of investment			3,884		3,884
Profit for the year	-			(211)	(211)
<b>Balance at 31 December 2007</b>	<b>29,601</b>	<b>-</b>	<b>3,884</b>	<b>1,069</b>	<b>34,554</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.**

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 31 December 2008, the total number of shares issued upon the exercise of all warrants is 4,363,000 ordinary shares (31 December 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 31 December 2008, the share capital of the Company was 351,468,250 ordinary shares (31 December 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.**

Earnings per ordinary share of the Group for the financial year based on net profit (loss) attributable to shareholders:	Group	
	31-Dec-08	31-Dec-07
(i) Based on weighted average number of ordinary shares in issue	(2.81) cents	3.79 cents
- Weighted average number of shares	350,296,751 shares	347,105,250 shares
(ii) On a fully diluted basis	(3.10) cents	3.79 cents
- Adjusted weighted average number of shares	317,767,730 shares	347,105,250 shares

- 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	
	31-Dec-08	30-Jun-08	31-Dec-08	30-Jun-08
Net asset value per ordinary share based on issued shares capital as at the end of the period reported on	14.51 cents	19.68 cents	7.73 cents	11.93 cents

The net asset value per share of the Group has been calculated based on equity attributable to shareholders of S\$50,989,000 (30 June 2008: S\$68,313,000) and share capital of 351,468,250 (30 June 2008: 347,174,250) ordinary shares.

The net asset value per share of the Company has been calculated based on equity attributable to shareholders of S\$27,169,000 (30 June 2008: S\$41,406,000) and share capital of 351,468,250 (30 June 2008: 347,174,250) 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.**

#### **REVIEW OF FINANCIAL RESULTS**

##### **Results for the first 6 months ended 31 December 2008**

##### **Income and Expenses Review**

The Group's revenue increased by 38.0% or S\$42.73 million to S\$155.13 million in the first 6 months ended 31 December 2008 (1HFY2009) compared to S\$112.41 million for the same period last year (1HFY2008).

S\$'000	1HFY09	1HFY08	% Growth
Revenue	155,132	112,407	38.0%
Gross Profit	8,515	9,056	(6.0%)
G.P. margin	5.5%	8.1%	
Net Profit / (Loss)	(9,864)	13,160	(175.0%)

Despite the higher revenue, the Group's gross profit for 1HFY2009 decreased by 6.0% as compared to 1HFY2008. This was due to the sharp fall in metal prices at the end of 2008. Metal prices peaked in September 2008 before suffering drastic drop resulting from the global credit crisis.

The Group registered a loss after tax of S\$9.86 million for the first half FY2009 as compared to a net profit after tax of S\$13.16 million for the corresponding period in the preceding financial year. The bulk of the loss arose from the write down in fair value of our Indonesia's quoted shares investment as well as impairment loss in inventories.

With the deteriorating economic conditions and prolonged decline in fair value below its cost of investment in the current volatile equity market condition, the Group reversed our previous fair value reserve from the balance sheet to the profit and loss statement and further provided impairment loss in this Indonesia's quoted shares to reflect its current value.

Other operating income decreased due to foreign exchange loss of S\$2.48 million and lower extraordinary items such as gain on disposal of fixed assets in 1HFY2009 compared to the same period in FY2008.

#### **Balance Sheet Review**

The Group's inventories decreased by 19.8% to S\$56.49 million from S\$70.48 million in 1HFY2009 as compared to last financial year ended 30 June 2008. With the market downturn and slide in metal prices, the Management resolved to improve liquidity by reducing inventories.

Shareholders equity was S\$50.99 million as at 31 December 2008, a decrease of S\$17.32 million from S\$68.31 million as at 30 June 2008. This was mainly a result of loss incurred for impairments and dividend paid out during the period.

#### **Cash Flow Statement Review**

Net cash generated from operating activities in 1H FY2009 was S\$16.47 million compared to the net cash used in operations of S\$4.03 millions in 1H FY2008. This was due mainly to a decrease in inventories held and a reduction of trade and other receivables.

Net cash used in financing activities was S\$19.34 million, including repayment of bills payable and dividend paid in November 2008. Total borrowing reduced by 20.0% to S\$43.24 million as at 31 December 2008 compared to S\$54.05 million as at 30 June 2008.

- 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 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.**

Challenging market conditions following the double blow from the global economic crisis and credit crunch have led many to adopt a conservative, wait-and-see attitude. Demand for metals is still relatively slow while metal prices are beginning to show signs of stabilising after the precipitous drop in the last quarter of 2008.

Going forward, challenging conditions in metal markets are expected to persist in the short term as prices may not recover. The Management will continue to watch the market vigilantly and respond speedily to market conditions and strive to improve our performance.

**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 (proposed)
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/recommended, a statement to that effect**

Not applicable

**BY ORDER OF THE BOARD**

ANG YU SENG  
CEO/ EXECUTIVE DIRECTOR  
13th February 2009

# **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 31 December 2008 to be false or misleading.

On behalf of the Board of Directors

ANG YU SENG  
CEO/ EXECUTIVE DIRECTOR

ANG YEW LAI  
DIRECTOR

13<sup>th</sup> February 2009