



**Unaudited First Half Financial Statement And Dividend Announcement For the Period Ended 31 December 2009**

**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

**INCOME STATEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2009**

	GROUP		%
	1H FY2010	1H FY2009	Increase/
	S\$'000	S\$'000	(Decrease)
Revenue	66,266	155,132	(57.3)
Cost of sales	(61,534)	(146,617)	(58.0)
<b>Gross profit</b>	<b>4,732</b>	<b>8,515</b>	<b>(44.4)</b>
Other operating income	5,977	6,174	(3.2)
Distribution expenses	(661)	(2,285)	(71.1)
Administrative expenses	(4,124)	(4,687)	(12.0)
Other operating expenses	(2,978)	(9,097)	(67.3)
<b>Profit from operations</b>	<b>2,946</b>	<b>(1,380)</b>	<b>313.5</b>
Finance expenses	(506)	(1,332)	(62.0)
<b>Profit before income tax</b>	<b>2,440</b>	<b>(2,712)</b>	<b>190.0</b>
Income tax expense	(260)	(167)	55.7
<b>Profit for the period</b>	<b>2,180</b>	<b>(2,879)</b>	<b>175.7</b>
Profit attributable to:			
Equity holders of the Company	2,180	(2,879)	175.7
Minority Interests	-	-	
	<b>2,180</b>	<b>(2,879)</b>	

**STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 DECEMBER 2009**

	GROUP		%
	1H FY2010 S\$'000	1H FY2009 S\$'000	Increase/ (Decrease)
Profit for the period	2,180	(2,879)	175.7
Other comprehensive income:			
Fair value loss in financial assets, available for sale	(373)	(6,985)	(94.7)
Other comprehensive expense, net of tax	(373)	(6,985)	
<b>Total comprehensive income for the period</b>	<b>1,807</b>	<b>(9,864)</b>	118.3
Total comprehensive income attributable to:			
Equity holders of the Company	1,807	(9,864)	

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

	GROUP		%
	1H FY2010 S\$'000	1H FY2009 S\$'000	Increase/ (Decrease)
Interest Income	67	136	(50.7)
Depreciation of property, plant and equipment	(2,114)	(2,422)	(12.7)
Allowance for doubtful debts	(108)	(1)	n.m.
Bad debts written off	(5)	(10)	(50.0)
Interest expense	(506)	(1,331)	(62.0)
Net foreign exchange loss	(592)	(2,484)	(76.2)
Allowance for impairment loss in value of inventories	-	(4,104)	(100.0)
Gain on disposal of property, plant and equipment	2,758	1,200	129.8
Reversal of allowance for impairment of inventories	705	-	n.m.

**Note:**

- Certain reclassifications have been made to prior year's results to enhance comparability with current year results
- n.m.: not meaningful

- 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.

**STATEMENT OF FINANCIAL POSITION**

	Group		Company	
	31-Dec-09	30-Jun-09	31-Dec-09	30-Jun-09
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Current assets</b>				
Cash and cash equivalents	20,136	32,032	5,942	6,194
Trade receivables	10,098	15,224	1,178	898
Other receivables and prepayments	1,040	1,216	1,030	165
Inventories	57,489	49,297	-	-
	88,763	97,769	8,150	7,257
Non-current assets classified as held-for-sale	-	750	-	-
	88,763	98,519	8,150	7,257
<b>Non-current assets</b>				
Goodwill	2,237	2,237	-	-
Properties, plant and equipment	24,009	19,327	131	164
Investments in subsidiaries	-	-	17,961	17,961
Golf club membership	159	159	159	159
Financial assets, available for sale	1,958	2,331	1,958	2,331
	28,363	24,054	20,209	20,615
<b>Total assets</b>	<b>117,126</b>	<b>122,573</b>	<b>28,359</b>	<b>27,872</b>
<b>Current liabilities</b>				
Trade payables	10,954	10,395	-	-
Other payables	1,879	2,278	465	491
Bank borrowings and bills payable	28,404	41,060	250	-
Obligations under hire purchase contracts	240	751	-	39
Deferred gain on sale of properties	2,074	2,074	-	-
Current income tax liabilities	209	192	(44)	-
	43,760	56,750	671	530
<b>Non-current liabilities</b>				
Bank borrowings	9,561	2,756	750	-
Obligations under hire purchase contracts	-	34	-	-
Deferred gain on sale of properties	6,049	7,086	-	-
Deferred income tax liabilities	895	895	-	-
	16,505	10,771	750	-
<b>Total liabilities</b>	<b>60,265</b>	<b>67,521</b>	<b>1,421</b>	<b>530</b>
<b>Net assets</b>	<b>56,861</b>	<b>55,052</b>	<b>26,938</b>	<b>27,342</b>
<b>Equity attributable to equity holders of the parent</b>				
Share capital	30,258	30,256	30,258	30,256
Capital reserves	1,914	1,914	1,914	1,914
Retained earnings	24,689	22,882	(5,234)	(4,828)
	56,861	55,052	26,938	27,342
Minority interests	-	-	-	-
<b>Total equity</b>	<b>56,861</b>	<b>55,052</b>	<b>26,938</b>	<b>27,342</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.

Amount repayable in one year or less, or on demand

As at 31 December 2009		As at 30 June 2009	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
1,962	26,682	2,606	39,205

Amount repayable after one year

As at 31 December 2009		As at 30 June 2009	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
6,624	2,937	2,790	-

Details of any collaterals:

Borrowings of S\$8.35 million is secured by mortgages over the properties of the Company's subsidiaries and the balance of S\$0.24 million relates to hire purchase financing of plant and machinery.

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

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

**STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 31 DECEMBER 2009**

	Group	
	31-Dec-09 S\$'000	31-Dec-08 S\$'000
<b>Cash flows from operating activities:</b>		
Profit before income tax	2,440	(2,712)
Adjustments for:		
Depreciation of property, plant and equipment	2,114	2,422
Gain on disposal of property, plant and equipment	(1,721)	(1,200)
Amortisation of deferred gain on sale of properties	(1,037)	-
Property, plant and equipment written off	-	4
Interest expense	506	1,331
Interest income	(67)	(136)
Allowance for doubtful trade receivables	108	1
Allowance for impairment loss in value of inventories	(705)	4,104
Operating profit before working capital changes	1,638	3,814
Changes in working capital:		
Inventories	(7,486)	9,880
Trade receivables	5,018	2,832
Other receivables and prepayments	176	746
Trade and other payables	159	2,657
Cash generated/(used in) from operations	(495)	19,929
Income tax paid	(99)	(2,262)
Income tax refund	150	-
Interest paid	(506)	(1,331)
Interest income received	67	136
<b>Net cash generated/ (used in) operating activities</b>	<b>(883)</b>	<b>16,472</b>
<b>Cash flows from investing activities:</b>		
Purchase of property, plant and equipment	(6,743)	(2,557)
Proceeds from disposal of property, plant and equipment	2,313	164
<b>Net cash used in investing activities</b>	<b>(4,430)</b>	<b>(2,393)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of ordinary shares	2	644
Proceeds from issue of warrants	-	(149)
Proceeds from bank loans	16,253	10,198
Repayment of bank loans	(10,680)	(3,789)
Proceeds from / (Repayment) of hire purchase liabilities	(734)	532
Decrease in bills payable to banks	(11,424)	(16,230)
Dividend paid	-	(10,545)
<b>Net cash used in financing activities</b>	<b>(6,583)</b>	<b>(19,339)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(11,896)</b>	<b>(5,260)</b>
Cash and cash equivalents at beginning of year	32,032	28,775
<b>Cash and cash equivalents at end of the year</b>	<b>20,136</b>	<b>23,515</b>
<b>Cash and cash equivalents at end of the year includes the following:</b>		
Cash and bank balances	16,116	20,499
Fixed deposits	4,020	3,016
<b>Cash and cash equivalents at end of the year</b>	<b>20,136</b>	<b>23,515</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	Capital reserve S\$' 000	Fair Value reserve S\$' 000	Retained earnings S\$' 000	Attributable to equity holders of the Company S\$' 000	Minority Interests S\$' 000	Total equity S\$' 000
<b>Balance as at 1 July 2009</b>	30,256	1,914	-	22,882	55,052	-	55,052
Profit for the period				1,807	1,807	-	1,807
Total recognised income and expense for the period	-	-	-	1,807	1,807	-	1,807
Issue of new shares on conversion of warrants	2	-	-	-	2		2
<b>Balance at 31 December 2009</b>	<b>30,258</b>	<b>1,914</b>	<b>-</b>	<b>24,689</b>	<b>56,861</b>	<b>-</b>	<b>56,861</b>
<b>Balance as at 1 July 2008</b>	29,612	2,080	(2,589)	39,210	68,313	-	68,313
Dividend paid				(10,545)	(10,545)	-	(10,545)
Fair value adjustment of financial assets, available-for-sale	-		2,589	-	2,589	-	2,589
Profit for the period				(9,864)	(9,864)	-	(9,864)
Total recognised income and expense for the period	-	-	2,589	(20,409)	(7,275)	-	(7,275)
Issue of new shares on conversion of warrants	644	(148)	-	-	496	-	496
<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>

**STATEMENT OF CHANGES IN EQUITY - COMPANY**

	Share capital S\$' 000	Capital reserve S\$' 000	Fair Value reserve S\$' 000	Retained earnings S\$' 000	Total S\$' 000
<b>Balance as at 1 July 2009</b>	30,256	1,914	-	(4,828)	27,342
Profit for the period	-	-	-	(406)	(406)
Issue of new shares on conversion of warrants	2	-	-	-	2
<b>Balance at 31 December 2009</b>	<b>30,258</b>	<b>1,914</b>	<b>-</b>	<b>(5,234)</b>	<b>26,938</b>
<b>Balance as at 1 July 2008</b>	29,612	2,080	(2,589)	12,303	41,406
Dividend paid				(10,544)	(10,544)
Fair value adjustment of financial assets, available-for-sale	-	-	2,589	-	2,589
Profit for the period	-	-	-	(6,778)	(6,778)
Issue of new shares on conversion of warrants	644	(148)	-	-	496
<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>

- 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

In April 2008, the Company issued and allotted 69,421,050 warrants on the basis of one warrant for every five existing ordinary shares which carry the right to subscribe for one ordinary share of the Company with the exercise price of \$0.12 per ordinary share and with exercise dates up to 14 April 2011.

As at 31 December 2009, the total number of shares issued upon the exercise of warrants is 4,375,000 ordinary shares (31 December 2008: 4,363,000).

There were 65,046,050 and 65,058,050 outstanding warrants as at 31 December 2009 and 31 December 2008 respectively.

- 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 2009, the share capital of the Company was 351,480,250 ordinary shares (30 June 2009: 351,468,250 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.**

Except as disclosed under item 5 below, 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 2009.

The Group adopted FRS1 (revised 2008) which was effective for the financial period beginning 1st January 2009.

- 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.**

The Group adopted all the applicable new and revised Singapore Financial Reporting Standards ("FRS") including related Interpretations ("INT FRS") promulgated by the Accounting Standards Council, which became effective for the financial statements of the Group and of the Company for the financial year ended 31 December 2009. The adoption of FRS1 (revised 2008) does not have any impact on the Group's financial position or results.

- 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)	31-Dec-09	31-Dec-08
(i) Based on weighted average number of ordinary shares in issue	0.62	(2.81)
(ii) On a fully diluted basis	0.62	(3.10)

The earnings per share for the period ended 31 December 2009 is calculated by dividing the profit/(loss) attributable to shareholders of \$2,180,000 (31 December 2008: (\$9,864,000)) by the weighted average number of ordinary shares of 351,478,000 (31 December 2008: 350,296,751) in issue during the financial period.

The diluted earnings per share for the period ended 31 December 2009 is calculated by dividing the profit/(loss) attributable to shareholders of \$2,180,000 (31 December 2008: (\$9,864,000)) by the adjusted weighted average number of ordinary shares of 353,678,000 (31 December 2008: 317,767,730) 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	
	31-Dec-09	30-Jun-09	31-Dec-09	30-Jun-09
Net asset value per ordinary share based on issued shares capital as at the end of the period reported on	16.18 cents	15.66 cents	7.66 cents	7.78 cents

The net asset value per share of the Group has been calculated based on equity attributable to shareholders of \$56,861,000 (30 June 2009: \$55,052,000) and share capital of 351,480,250 (30 June 2009: 351,468,250) ordinary shares.

The net asset value per share of the Company has been calculated based on equity attributable to shareholders of \$26,938,000 (30 June 2009: \$27,342,000) and share capital of 351,480,250 (30 June 2009: 351,468,250) 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.**

#### **INCOME STATEMENT REVIEW**

##### **Revenue**

The Group's revenue declined 57.3% or \$88.8 million to \$66.3 million in 1H FY2010 from \$155.1 million for the corresponding period in the preceding financial year. The decline in revenue was due to the lower sales volume for both ferrous and non-ferrous metals and lower average selling prices.

##### **Profitability**

Gross profit margin improved slightly to 7.1% in 1H FY2010 compared to 5.5% in 1H FY2009. Lower gross profit at \$4.7 million in 1H FY2010 (1H FY2009: \$8.5 million) was mainly due to lower sales volume.



Other operating income decreased by 3.2% from \$6.2 million in 1H FY2009 to \$6.0 million in 1H FY2010. The decrease was mainly due to reduction in rental income which was cushioned by the additional gain on sale of property in July 2009.

Distribution expenses of the Group decreased by 71.1% from \$2.3 million in 1H FY2009 to \$0.7 million in 1H FY2010, which was in line with lower sales volume.

Administrative expenses declined 12% to S\$4.1 million due to lower property tax and lower sales related expenses in 1H FY2010.

Other operating expenses decreased 67.3% from \$9.1 million in 1H FY2009 to \$3.0 million in 1H FY2010. This decrease was due mainly to a reduction in net foreign exchange loss and impairment loss in inventories.

Finance costs in 1H FY2010 decreased by 62% or \$0.8 million to \$0.5 million (1H FY2009: \$1.3 million). This was due to a reduction in total bank borrowings and lower interest rate.

#### **STATEMENT OF FINANCIAL POSITION REVIEW**

The net assets and shareholders' fund of the Group was \$56.9 million as at 31 December 2009. The Group increased its inventory levels from \$49.3 million as at 30 June 2009 to \$57.5 million as at 31 December 2009. Trade receivables decreased by \$5.1 million from \$15.2 million as at 30 June 2009 to \$10.1 million as at 31 December 2009. Total borrowings decreased from \$44.6 million as at 30 June 2009 to \$38.2 million as at 31 December 2009.

Properties, plant and equipment increased from S\$19.3 million as at 30 June 2009 to S\$24.0 million as at 31 December 2009. The increase was due mainly to the completion of construction of new premises at Gul Road that belongs to our subsidiary.

#### **STATEMENT OF CASH FLOW REVIEW**

The Group's cash and cash equivalents was \$20.1 million as at 31 December 2009. Net cash used in operating activities was \$0.9 million in 1H FY2010 compared to net cash generated in operating activities of \$16.5 million in 1H FY2009. This was mainly due to replenishment of stock which increased our inventories compared to reduction in inventories for the same corresponding period.

Net cash used in investing activities of \$4.4 million was mainly due to the construction cost of premises at Gul Road.

Net cash used in financing activities was \$6.6 million which was mainly for repayment of bills payable to banks. Total bank borrowings and bills payable reduced by 14.3% to \$38.2 million as at 31 December 2009 compared to \$44.6 million as at 30 June 2009.

- 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.**

Notwithstanding a global economic recovery that is already underway, we expect the metal recycling and metals market to stay difficult as demand remains uncertain. The operating environment for the local recycling and steel trading markets will remain very competitive and challenging.

Going forward, the Group will continue to keep cost down and maintain its prudent practices on managing its inventory and working capital while keeping a look out for business opportunities.

**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 ? None

**(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  
11 February 2009

# **UNION STEEL HOLDINGS LIMITED**

(Company Registration No. 200410181W)

## **Confirmation by Directors pursuant to Rule 705(5) 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 half ended 31 December 2009 to be false or misleading.

On behalf of the Board of Directors

ANG YU SENG  
CEO/ EXECUTIVE DIRECTOR

ANG YEW LAI  
DIRECTOR

11<sup>th</sup> February 2010