



Unaudited First Quarter Financial Statement And Dividend Announcement For the Period Ended 30 SEPTEMBER 2010

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

STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2010

	GROUP		Increase/ (Decrease)
	Q1 FY2011 S\$'000	Q1 FY2010 S\$'000	%
Revenue	31,667	38,417	(17.6)
Cost of sales	(27,770)	(35,110)	(20.9)
Gross profit	3,897	3,307	17.8
Other income	2,461	3,594	(31.5)
Distribution and marketing expenses	(274)	(282)	(2.8)
Administrative expenses	(2,185)	(1,975)	10.6
Other operating expenses	(1,505)	(2,581)	(41.7)
Profit/ (loss) from operations	2,394	2,063	16.0
Finance costs	(323)	(275)	17.5
Profit/ (loss) before income tax	2,071	1,788	15.8
Income tax	(54)	(14)	285.7
Net profit/(loss)	2,017	1,774	13.7
Net profit/(loss) attributable to: Equity holders of the Company	2,017	1,774	13.7
Minority Interests	-	-	-
	2,017	1,774	13.7

STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2010

	GROUP		Increase/ (Decrease)
	Q1 FY2011 S\$'000	Q1 FY2010 S\$'000	%
Net profit/(loss)	2,017	1,774	13.7
Other comprehensive income:	-	-	
Total comprehensive income/ (loss) for the year	2,017	1,774	13.7
Total comprehensive income/ (loss) attributable to:			
Equity holders of the Company	2,017	1,774	
Minority Interests	-	-	
	2,017	1,774	13.7

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

	GROUP		%
	Q1 FY2011 S\$'000	Q1 FY2010 S\$'000	Increase/ (Decrease)
Interest income	22	42	(47.6)
Depreciation of property, plant and equipment	(917)	(1,062)	(13.7)
Bad debt recovered	14	-	n.m.
Finance expenses	(323)	(275)	17.5
Net foreign exchange loss	(62)	(811)	(92.4)
Impairment loss in value of inventories	(47)	(226)	(79.2)
(Loss) / gain on disposal of property, plant and equipment	667	2,118	(68.5)
Reversal of allowance for impairment of inventories	96	-	n.m.

- 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.

STATEMENTS OF FINANCIAL POSITION

	Group		Company	
	30.09.2010	30.06.10	30.09.2010	30.06.10
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Current assets				
Cash and cash equivalents	18,967	19,202	8,900	12,712
Derivative financial assets	-	2,796	-	-
Trade and other receivables	12,759	10,222	46	44
Amount owing by subsidiaries	-	-	1,896	1,075
Inventories	59,705	62,315	-	-
	91,431	94,535	10,842	13,831
Assets classified as held-for-sale	985	1,697	-	-
Total current assets	92,416	96,232	10,842	13,831
Non-current assets				
Goodwill	1,739	1,237	-	-
Properties, plant and equipment	12,939	13,772	81	97
Investments in subsidiaries	-	-	18,708	17,961
Investment property	8,500	8,500	-	-
Golf club membership	159	159	159	159
Financial assets, available-for-sale	1,376	1,376	1,376	1,376
Deferred income tax assets	175	175	15	15
Total non-current assets	24,888	25,219	20,339	19,608
Total assets	117,304	121,451	31,181	33,439
LIABILITIES				
Current liabilities				
Trade and other payables	9,405	7,863	572	518
Amount owing to subsidiary	-	-	3	-
Bank loans and bills payable	27,939	31,776	1,368	1,249
Finance lease liabilities	16	34	-	-
Deferred gain on sale of properties	2,074	2,074	-	-
Current income tax liabilities	313	260	-	-
Total current liabilities	39,747	42,007	1,943	1,767
Non-current liabilities				
Bank loans	11,661	14,805	988	3,411
Deferred gain on sale of properties	4,494	5,012	-	-
Deferred income tax liabilities	530	530	-	-
Total non-current liabilities	16,685	20,347	988	3,411
Total liabilities	56,432	62,354	2,931	5,178
Net assets	60,872	59,097	28,250	28,261
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	30,261	30,258	30,261	30,258
Capital reserve	1,914	1,914	1,914	1,914
Retained earnings/ (Accumulated losses)	28,697	26,925	(3,925)	(3,911)
	60,872	59,097	28,250	28,261
Minority interests	-	-	-	-
Total equity	60,872	59,097	28,250	28,261

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 30 September 2010		As at 30 June 2010	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
26,571	1,368	30,527	1,249

Amount repayable after one year

As at 30 September 2010		As at 30 June 2010	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
10,673	988	11,394	3,411

Details of any collateral:

The borrowings is secured by mortgages over the properties and investment property of the Company's subsidiaries. Short term bank loans and bills payable granted to the Group are secured by the corporate guarantee given by the Company. A short-term bank loan of S\$1 million is also secured by a pledged bank deposit of S\$1 million.

The unsecured amount consists of bank loan which bears interest at 5% per annum and repayable over 4 years.

- 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 THREE MONTHS ENDED 30 SEPTEMBER 2010

	Group	
	Q1 FY2011	Q1 FY2010
	S\$'000	S\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	2,071	1,788
Adjustments for:		
Depreciation of property, plant and equipment	917	1,062
Gain on disposal of property, plant and equipment	(148)	(1,599)
Amortisation of deferred gain on sale of properties	(519)	(519)
Allowance for doubtful debts	(1)	-
Finance expenses	323	275
Interest income	(22)	(42)
Net (reversal)/allowance for impairment loss in value of inventories	47	226
OPERATING CASH FLOWS BEFORE WORKING CAPITAL CHANGES	<u>2,668</u>	<u>1,191</u>
Changes in working capital:		
Trade and other receivables	(2,536)	5,749
Inventories	2,562	5,916
Assets classified as held-for-sale	712	-
Trade and other payables	<u>1,542</u>	<u>(5,982)</u>
CASH GENERATED FROM OPERATIONS	<u>4,948</u>	<u>6,874</u>
Interest paid	(323)	(275)
Interest received	<u>22</u>	<u>42</u>
NET CASH GENERATED FROM OPERATING ACTIVITIES	<u>4,647</u>	<u>6,641</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(84)	(1,121)
Investment in subsidiary	(747)	-
Derivative financial instruments	2,796	-
Proceeds from disposal of property, plant and equipment	<u>148</u>	<u>2,350</u>
NET CASH GENERATED FROM INVESTING ACTIVITIES	<u>2,113</u>	<u>1,229</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares	3	2
Funds from bank loans	8,500	2,000
Decrease in bills payable	(9,994)	(12,702)
Repayment of bank loans	(5,487)	(4,138)
Repayment of finance lease liabilities	<u>(17)</u>	<u>(481)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(6,995)</u>	<u>(15,319)</u>
Net decrease in cash and cash equivalents	(235)	(7,076)
Cash and cash equivalents at beginning of the financial year	18,202	31,032
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>17,967</u>	<u>23,956</u>
Cash and cash equivalents at end of the period includes the following:		
Cash and bank balances	14,939	16,698
Fixed deposits	4,028	8,258
Less Bank deposits pledged	<u>(1,000)</u>	<u>(1,000)</u>
	<u>17,967</u>	<u>23,956</u>

- 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	Retained earnings S\$' 000	Attributable to equity holders of the Company S\$' 000	Minority Interests S\$' 000	Total equity S\$' 000
Balance as at 1 July 2010	30,258	1,914	26,925	59,097	-	59,097
Total comprehensive income	-	-	2,017	2,017	-	2,017
Issue of new shares on conversion of warrants	3	-	-	3	-	3
Reversal of issue of shares to minority shareholders	-	-	-	-	(245)	(245)
Reversal of minority interest share of losses	-	-	(245)	(245)	245	-
Balance as at 30 September 2010	30,261	1,914	28,697	60,872	-	60,872
Balance as at 1 July 2009	30,256	1,914	22,882	55,052	-	55,052
Total comprehensive income	-	-	1,774	1,774	-	1,774
Issue of new shares on conversion of warrants	2	-	-	2	-	2
Balance as at 30 September 2009	30,258	1,914	24,656	56,828	-	56,828

STATEMENT OF CHANGES IN EQUITY - COMPANY

	Share capital S\$' 000	Capital reserve S\$' 000	Accumulated losses S\$' 000	Total S\$' 000
Balance as at 1 July 2010	30,258	1,914	(3,911)	28,261
Total comprehensive income	-	-	(14)	(14)
Issue of new shares on conversion of warrants	3	-	-	3
Balance as at 30 September 2010	30,261	1,914	(3,925)	28,250
Balance as at 1 July 2009	30,256	1,914	(4,828)	27,342
Total comprehensive income/(loss)	-	-	(306)	(306)
Issue of new shares on conversion of warrants	2	-	-	2
Balance as at 30 September 2009	30,258	1,914	(5,134)	27,038

- 1(d) 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 30 September 2010, the total number of shares issued upon the exercise of warrants is 4,399,000 ordinary shares (30 September 2009: 4,375,000).

There were 65,022,050 and 65,046,050 outstanding warrants as at 30 September 2010 and 30 September 2009 respectively.

- 1(d) 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 2010, the share capital of the Company was 351,504,250 ordinary shares (30 Jun 2010: 351,480,250 ordinary shares).

- 1(d) 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 in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the current financial period as with those in the most recently audited financial statements as at 30 June 2010.

- 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.**

In the current year, the Group has adopted all the new/revised Financial Reporting Standards which took effect for annual periods beginning on or after 1 July 2010. The adoption of the above FRS did not result in any substantial change to the Group's accounting policies.

- 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/(loss) per ordinary share (cents)	30-Sep-10	30-Sep-09
(i) Based on weighted average number of ordinary shares in issue	0.57	0.50
(ii) On a fully diluted basis	0.57	0.50

The earnings per share for the period ended 30 September 2010 is calculated by dividing the profit attributable to shareholders of \$2,017,000 (30 September 2009: \$1,774,000) by the weighted average number of ordinary shares of 351,499,582 (30 September 2009: 351,478,000) in issue during the financial period.

The diluted earnings per share for the period ended 30 September 2010 is calculated by dividing the profit attributable to shareholders of \$2,017,000 (30 September 2009: \$1,774,000) by the adjusted weighted average number of ordinary shares of 351,499,582 (30 September 2009: 353,423,000) 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-10	30 Jun 10	30-Sep-10	30 Jun 10
Net asset value per ordinary share based on issued shares capital as at the end of the period reported on	17.32 cents	16.81 cents	8.04 cents	8.04 cents

The net asset value per share of the Group has been calculated based on equity attributable to shareholders of \$60,872,000 (30 June 2010: S\$59,097,000) and 351,504,250 (30 June 2010: 351,480,250) ordinary shares.

The net asset value per share of the Company has been calculated based on equity attributable to shareholders of \$28,250,000 (30 June 2010: S\$28,261,000) and 351,504,250 (30 June 2010: 351,480,250) 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.

STATEMENT OF COMPREHENSIVE INCOME REVIEW

Review for the three months ended 30 September 2010

Revenue fell 17.6% to \$31.7 million on the back of lower demand for metals. However, gross profit rose 17.8% from \$3.3 million to \$3.9 million as a result of better cost management, a higher-margin product mix and higher selling prices.

Other operating income reduced by 31.5% to \$2.5 million mainly due to \$1.4 million from disposal in September 2009. However, this was partially offset by the increase in rental income from properties and the reversal of impairment on inventories in September 2010.

Distribution and marketing expenses decreased by 2.8%, in line with the reduction in sales volume.

Administrative expenses increased by 10.6% to \$2.2 million due to increase in property related expenses, which was offset by a decrease in expenses due to restructuring of one of the subsidiaries' business.

Other operating expenses dropped 41.7% to \$1.5 million in Q1 FY2011. This was due to lower exchange loss, impairment of investment and inventories.

Finance cost increased 17.5% to \$0.3 million due to higher interest rates charged for bank borrowings.

Hence, net profit improved marginally from S\$1.8 million to S\$2 million in the current financial period.

STATEMENT OF FINANCIAL POSITION REVIEW

The net assets and shareholders' fund of the Group was \$60.9 million as at 30 September 2010.

Bank borrowings reduced substantially due to repayment of loan of \$15.5 million and borrowings of \$8.5 million. As a result, total borrowings decreased from \$46.6 million as at 30 June 2010 to \$39.6 million as at 30 September 2010.

STATEMENT OF CASH FLOW REVIEW

The Group's cash and cash equivalents was \$18 million as at 30 September 2010 as compared to \$18.2 million as at 30 June 2010.

Net cash generated from operating activities as of 30 September 2010 was \$4.6 million mainly due to the improvement in working capital.

Net cash used in investing activities of \$2.1 million was mainly due to the settlement of derivative instruments and purchase of a subsidiary for \$0.8 million.

Net cash used in financing activities was \$7 million to finance the repayment of the bank borrowings.

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.

The Singapore economy is also slowing down after the blistering pace of growth in 1H 2010. In 3Q 2010, the Singapore construction sector contracted 12% quarter-on-quarter (Source: Ministry of Trade and Industry Singapore). This was mainly due to the completion of major commercial and public projects. The slower momentum in the sector will mean keener competition and continued pressure on margins in the local steel trading industry. In addition, the weakening USD will add further volatility in the trading markets.

Amid these uncertainties and challenges, the group will focus on preserving our profitability. We will continue to be prudent in our capital management practices, especially in the management of inventory and cashflow. We have also reduced our borrowings and restructured our loans to ensure a more efficient capital structure.

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/recommended, a statement to that effect

Not applicable

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

We, Ang Yu Seng and Ang Yew Lai, being the directors of Union Steel Holdings Limited, do hereby confirm on behalf of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial results for the 1st quarter and three months ended 30 September 2010 to be false or misleading in any material aspects.

On behalf of the Board of Directors

Ang Yu Seng
CEO/ EXECUTIVE DIRECTOR

Ang Yew Lai
Executive Director

BY ORDER OF THE BOARD

ANG YU SENG
CEO/ EXECUTIVE DIRECTOR
12 November 2010