



Unaudited First Half Financial Statement And Dividend Announcement For the Period Ended 31 DECEMBER 2010

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

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

STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

	GROUP		Increase/ (Decrease)
	1H FY2011 S\$'000	1H FY2010 S\$'000	%
Revenue	61,350	66,266	(7.4)
Cost of sales	(54,835)	(61,534)	(10.9)
Gross profit	6,515	4,732	37.7
Other income	10,834	5,977	81.3
Distribution and marketing expenses	(488)	(661)	(26.2)
Administrative expenses	(4,822)	(4,124)	16.9
Other operating expenses	(4,119)	(3,351)	22.9
Profit from operations	7,920	2,573	207.8
Finance costs	(565)	(506)	11.7
Profit before income tax	7,355	2,067	255.8
Income tax	(30)	(260)	(88.5)
Profit for the period	7,325	1,807	305.4
Profit attributable to:			
Equity holders of the Company	7,325	1,807	305.4
Minority Interests	-	-	-
	7,325	1,807	305.4

STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

	GROUP		Increase/ (Decrease)
	1H FY2011 S\$'000	1H FY2010 S\$'000	%
Profit for the period	7,325	1,807	305.4
Other comprehensive income:	-	-	
Total comprehensive income for the period	7,325	1,807	305.4
Total comprehensive income attributable to:			
Equity holders of the Company	7,325	1,807	
Minority Interests	-	-	
	7,325	1,807	305.4

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

	GROUP		%
	1H FY2011 S\$'000	1H FY2010 S\$'000	Increase/ (Decrease)
Interest income	35	67	(47.8)
Depreciation of property, plant and equipment	(1,762)	(2,114)	(16.7)
Allowance for doubtful debts	-	(108)	(100.0)
Bad debts written off	(5)	(5)	0.0
Bad debt recovered	(10)	-	n.m.
Finance expenses	(565)	(506)	11.7
Net foreign exchange loss	(100)	(592)	(83.1)
Gain on disposal of property, plant and equipment	6,056	2,758	119.6
Reversal of allowance for impairment of inventories	1,266	705	79.6
Impairment loss in financial assets, available-for-sale	(1,376)	(373)	268.9

- 1(b)(i) A statement of financial position (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	
	31.12.10	30.06.10	31.12.10	30.06.10
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Current assets				
Cash and cash equivalents	28,452	19,202	8,141	12,712
Derivative financial assets	-	2,796	-	-
Trade and other receivables	12,251	10,222	55	44
Amount owing by subsidiaries	-	-	2,232	1,075
Inventories	55,316	62,315	-	-
	96,019	94,535	10,428	13,831
Assets classified as held-for-sale	978	1,697	-	-
Total current assets	96,997	96,232	10,428	13,831
Non-current assets				
Goodwill	1,739	1,237	-	-
Properties, plant and equipment	12,219	13,772	65	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
Deferred income tax assets	175	175	15	15
Total non-current assets	22,792	25,219	18,947	19,608
Total assets	119,789	121,451	29,375	33,439
LIABILITIES				
Current liabilities				
Trade and other payables	8,039	7,863	551	518
Bank loans and bills payable	27,919	31,776	630	1,249
Finance lease liabilities	-	34	-	-
Deferred gain on sale of properties	2,074	2,074	-	-
Current income tax liabilities	145	260	51	-
Total current liabilities	38,177	42,007	1,232	1,767
Non-current liabilities				
Bank loans	10,927	14,805	1,374	3,411
Deferred gain on sale of properties	3,975	5,012	-	-
Deferred income tax liabilities	530	530	-	-
Total non-current liabilities	15,432	20,347	1,374	3,411
Total liabilities	53,609	62,354	2,606	5,178
Net assets	66,180	59,097	26,769	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)	34,005	26,925	(5,406)	(3,911)
	66,180	59,097	26,769	28,261
Minority interests	-	-	-	-
Total equity	66,180	59,097	26,769	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 31 December 2010		As at 30 June 2010	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
27,289	630	30,527	1,249

Amount repayable after one year

As at 31 December 2010		As at 30 June 2010	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
9,553	1,374	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.

The unsecured amount consists of bank loan which bears interest at 5% per annum and repayable over 4 years. This Local Enterprise Finance Scheme (LEFS) loan was converted into a commercial loan with effect from January 2011 and the interest was reduced to 2% plus cost of fund per annum.

- 1(c) A statement of cash flow (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 2010

	Group GROUP	
	1H FY2011 S\$'000	1H FY2010 S\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	7,355	2,067
Adjustments for:		
Depreciation of property, plant and equipment	1,762	2,114
Gain on disposal of property, plant and equipment	(5,019)	(1,721)
Amortisation of deferred gain on sale of properties	(1,037)	(1,037)
Allowance for doubtful debts	-	108
Impairment loss in financial assets, available-for-sale	1,376	373
Finance expenses	565	506
Interest income	(35)	(67)
Net reversal for impairment loss in value of inventories	(1,266)	(705)
OPERATING CASH FLOWS BEFORE WORKING CAPITAL CHANGES	3,701	1,638
Changes in working capital:		
Trade and other receivables	(2,028)	5,194
Inventories	8,264	(7,486)
Assets classified as held-for-sale	719	-
Trade and other payables	176	159
CASH GENERATED FROM/(USED IN) OPERATIONS	10,832	(495)
Income tax paid	(181)	(99)
Income tax refund	35	150
Interest paid	(565)	(506)
Interest received	35	67
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	10,156	(883)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(435)	(6,743)
Investment in subsidiary	(747)	-
Derivative financial assets	2,796	-
Proceeds from disposal of property, plant and equipment	5,246	2,313
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	6,860	(4,430)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares	3	2
Reversed placement of fixed deposits pledged with bank	1,000	-
Funds from bank loans	8,500	16,253
Repayment of bank loans	(9,836)	(10,680)
Decrease in bills payable	(6,399)	(11,424)
Repayment of finance lease liabilities	(34)	(734)
NET CASH USED IN FINANCING ACTIVITIES	(6,766)	(6,583)
Net increase/(decrease) in cash and cash equivalents	10,250	(11,896)
Cash and cash equivalents at beginning of the financial year	18,202	32,032
CASH AND CASH EQUIVALENTS AT END OF PERIOD	28,452	20,136
Cash and cash equivalents at end of the period includes the following:		
Cash and bank balances	24,420	16,116
Fixed deposits	4,032	4,020
	28,452	20,136

- 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	-	-	7,325	7,325	-	7,325
Issue of new shares on conversion of warrants	3	-	-	3	-	3
Issue of shares to minority shareholders	-	-	-	-	(245)	(245)
Minority interest share of losses	-	-	(245)	(245)	245	-
Balance as at 31 December 2010	30,261	1,914	34,005	66,180	-	66,180
Balance as at 1 July 2009	30,256	1,914	22,882	55,052	-	55,052
Total comprehensive income	-	-	1,807	1,807	-	1,807
Issue of new shares on conversion of warrants	2	-	-	2	-	2
Balance as at 31 December 2009	30,258	1,914	24,689	56,861	-	56,861

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 (loss)	-	-	(1,495)	(1,495)
Issue of new shares on conversion of warrants	3	-	-	3
Balance as at 31 December 2010	30,261	1,914	(5,406)	26,769
Balance as at 1 July 2009	30,256	1,914	(4,828)	27,342
Total comprehensive (loss)	-	-	(406)	(406)
Issue of new shares on conversion of warrants	2	-	-	2
Balance as at 31 December 2009	30,258	1,914	(5,234)	26,938

- 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 2010, the total number of shares issued upon the exercise of warrants is 4,399,000 ordinary shares (31 December 2009: 4,375,000).

There were 65,022,050 and 65,046,050 outstanding warrants as at 31 December 2010 and 30 December 2009 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 2010, the share capital of the Company was 351,504,250 ordinary shares (31 December 2009: 351,480,250 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 in paragraph 5 below, the Group has applied the same accounting policies and methods of computation to the financial statements for the current financial period and the most recent audited annual financial statements for the financial year ended 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.**

The Group has adopted the new or revised Singapore Financial Reporting Standards ("FRS") and Interpretations of FRS ("INT FRS") which became effective for the current financial year, where applicable. The adoption of these FRS and INT FRS did not result in any substantial changes to the Group's accounting policies and there is no material impact on the financial statements of the Group since 1 July 2010.

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)	31-Dec-10	31-Dec-09
(i) Based on weighted average number of ordinary shares in issue	2.08	0.51
(ii) On a fully diluted basis	2.05	0.51

The earnings per share for the period ended 31 December 2010 is calculated by dividing the profit attributable to shareholders of \$7,325,000 (31 December 2009: \$1,807,000) by the weighted average number of ordinary shares of 351,499,582 (31 December 2009: 351,478,000) in issue during the financial period.

The diluted earnings per share for the period ended 31 December 2010 is calculated by dividing the profit attributable to shareholders of \$7,325,000 (31 December 2009: \$1,807,000) by the adjusted weighted average number of ordinary shares of 356,501,278 (31 December 2009: 353,678,000) 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	
	31-Dec-10	30 Jun 10	31-Dec-10	30 Jun 10
Net asset value per ordinary share based on issued shares capital as at the end of the period reported on	18.83 cents	16.81 cents	7.62 cents	8.04 cents

The net asset value per share of the Group has been calculated based on equity attributable to shareholders of \$66,180,000 (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 \$26,769,000 (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 half year ended 31 December 2010

Revenue fell by 7.4% to \$61.4 million due to lower international sales. However, gross profit margin improved to 10.6% in 1H FY2011 compared to 7.1% in 1H FY2010 as a result of higher margin product mix and improved selling prices.

Other operating income increased by 81.3% or \$4.8 million due mainly to the gain on sale of property at 76 Joo Koon Circle.

Distribution and marketing expenses decreased by 26.2% due to reduction in freight and carriage expenses and is in line with the reduction in international sales and international purchases activities.

Administrative expenses increased by 16.9% to \$4.8 million due mainly to the increase in staff remuneration.

Other operating expenses increased 22.9% to \$4.1 million in 1H FY2011. This was a result of the provision for impairment loss in financial assets. If not for the provision for impairment loss, other operating expense would have decreased due to a reduction in exchange loss.

Increase in finance cost was due to an increase in bank borrowings and interest expenses. The increase in interest expenses was due mainly to the LEFS loan that was charged at 5% p.a.

STATEMENT OF FINANCIAL POSITION REVIEW

The net assets and shareholders' fund of the Group was \$66.2 million as at 31 December 2010.

The Group decreased its inventory levels from \$62.3 million as at 30 June 2010 to \$55.3 million as at 31 December 2010. Properties, plant and equipment decreased from \$13.8 million as at 30 June 2010 to \$12.2 million as at 31 December 2010 due mainly to the disposal of property at 76 Joo Koon Circle.

Total borrowings decreased from \$46.6 million as at 30 June 2010 to \$38.9 million as at 31 December 2010.

STATEMENT OF CASH FLOW REVIEW

The Group's cash and cash equivalents was \$28.5 million as at 31 December 2010. Net cash generated from operating activities was \$10.2 million in 1H FY2011 compared to net cash used in operating activities of \$0.9 million in 1H FY2010 due to the reduction in inventory levels.

Net cash generated from investing activities in 1H FY2011 was \$6.9 million due mainly to the proceeds from the disposal of property at 76 Joo Koon Circle.

- 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 environment that we operate in remains challenging; volatile international metals' prices resulting from weak US dollar and the recent flood in Queensland, as well as, moderating global economic outlook have added some uncertainty.

In Singapore, local construction demand is expected to grow on the back of the government's continued investments in public infrastructure projects as well as the buoyant office and retail sectors. However, intense competition is expected among local steel stockists and this will put pressure on margins.

The Group will seize opportunities to preserve profitability through prudent management of inventory as well as improvements in our productivity. We will also seek out opportunities to expand our business.

- 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

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 half year ended 31 December 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
11 February 2011