



Unaudited Third Quarter Financial Statement And Dividend Announcement For the Period Ended 31 March 2011

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 NINE MONTHS ENDED 31 MARCH 2011

	GROUP 3rd Quarter			GROUP 9 Months Ended		
	FY 2011	FY 2010	Increase/ (Decrease)	31 Mar 11	31 Mar 10	Increase/ (Decrease)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	21,770	32,786	(33.6)	83,120	99,052	(16.1)
Cost of sales	(18,083)	(29,442)	(38.6)	(72,918)	(90,976)	(19.8)
Gross profit	3,687	3,344	10.3	10,202	8,076	26.3
Other income	2,256	1,468	53.7	13,090	7,445	75.8
Distribution cost	(121)	(353)	(65.7)	(609)	(1,014)	(39.9)
Administrative expenses	(1,862)	(2,368)	(21.4)	(6,684)	(6,492)	3.0
Other operating expenses	(1,483)	(859)	72.6	(5,602)	(4,210)	33.1
Profit from operations	2,477	1,232	101.1	10,397	3,805	173.2
Finance costs	(202)	(216)	(6.5)	(767)	(722)	6.2
Profit before taxation	2,275	1,016	123.9	9,630	3,083	212.4
Income tax expense	36	-	n.m.	6	(260)	n.m.
Profit for the period	2,311	1,016	127.5	9,636	2,823	241.3
Profit attributable to:						
Equity holders of the Company	2,311	1,016		9,636	2,823	
Minority Interests	-	-		-	-	
	2,311	1,016	127.5	9,636	2,823	241.3

STATEMENT OF COMPREHENSIVE INCOME FOR THE NINE MONTHS ENDED 31 MARCH 2011

	GROUP			GROUP		
	3rd Quarter		Increase/	9 Months Ended		Increase/
	FY 2011	FY2010	(Decrease)	31 Mar 11	31 Mar 10	(Decrease)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Profit for the period	2,311	1,016	127.5	9,636	2,823	241.3
Other comprehensive income	-	-		-	-	
Other comprehensive expense	-	-		-	-	
Other comprehensive income for the period	2,311	1,016	127.5	9,636	2,823	(241.3)
Total comprehensive income attributable to:						
Equity holders of the Company	2,311	1,016		9,636	2,823	

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

	GROUP		%
	9 Months Ended		
	31 Mar 11	31 Mar 10	Increase/
	S\$'000	S\$'000	(Decrease)
Interest income	47	84	(44.0)
Depreciation of property, plan and equipment	(2,484)	(3,239)	(23.3)
Allowance for doubtful debts	(38)	(110)	(65.5)
Bad debt (written off)/ recovered	(0)	(5)	(92.0)
Interest expenses	(767)	(722)	6.2
Net foreign exchange loss	(190)	(528)	(64.0)
Allowance for impairment loss in value of inventories	-	-	n.m.
Gain on disposal of property, plant and equipment	6,632	3,332	99.0
Reversal of allowance for impairment of inventories	1,266	1,694	(25.3)
Impairment for goodwill	-	(1,000)	(100.0)

Certain reclassifications have been made to prior year's result 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.

STATEMENT OF FINANCIAL POSITION

	Group		Company	
	31 Mar 11 S\$'000	30 Jun 10 S\$'000	31 Mar 11 S\$'000	30 Jun 10 S\$'000
Current assets				
Cash and cash equivalents	26,252	19,202	7,598	12,712
Derivative financial assets	-	2,796	-	-
Trade and other receivables	11,331	10,222	2,581	1,119
Inventories	53,168	62,315	-	-
	90,751	94,535	10,179	13,831
Assets classified as held-for-sale	957	1,697	-	-
	91,708	96,232	10,179	13,831
Non-current assets				
Goodwill	1,739	1,237	-	-
Properties, plant & equipments	11,545	13,772	48	97
Investments in subsidiaries	-	-	18,708	17,961
Investments in 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
	22,118	25,219	18,930	19,608
Total assets	113,826	121,451	29,109	33,439
Current liabilities				
Trade & other payables	7,279	7,863	548	518
Bank loans and bills payable	21,981	31,776	634	1,249
Finance lease liabilities	-	34	-	-
Deferred gain on sale of properties	2,074	2,074	-	-
Current income tax liabilities	-	260	-	-
	31,334	42,007	1,182	1,767
Non-current liabilities				
Bank loans	9,980	14,805	1,203	3,411
Deferred gain on sale of properties	3,457	5,012	-	-
Deferred income tax liabilities	530	530	-	-
	13,967	20,347	1,203	3,411
Total liabilities	45,301	62,354	2,385	5,178
Net assets	68,525	59,097	26,724	28,261
Equity attributable to equity holders of the parent				
Share capital	30,304	30,258	30,304	30,258
Capital reserve	1,905	1,914	1,905	1,914
Retained earnings/ (Accumulated losses)	36,316	26,925	(5,485)	(3,911)
	68,525	59,097	26,724	28,261
Total equity	68,525	59,097	26,724	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 March 2011		As at 30 June 2010	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
21,347	634	30,561	1,249

Amount repayable after one year

As at 31 March 2011		As at 30 June 2010	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
8,777	1,203	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 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 NINE MONTHS ENDED 31 MARCH 2011

	Group	
	9 Months Ended	
	31 Mar 11	31 Mar 10
	S\$'000	S\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	9,630	4,038
Adjustments for:		
Depreciation of property, plant and equipment	2,484	3,239
Gain on disposal of property, plant and equipment	(5,076)	(1,776)
Amortisation of deferred gain on sale of properties	(1,556)	(1,556)
Property, plant and equipment written off	-	-
Finance expenses	767	722
Interest income	(47)	(84)
Allowance for doubtful debts	-	110
Allowance for financial assets, available for sale	1,376	-
Net reversal for impairment loss in value of inventories	(1,266)	(1,694)
Amortisation of goodwill	-	1,000
OPERATING CASH FLOWS BEFORE WORKING CAPITAL CHANGES	6,312	3,999
Changes in working capital:		
Inventories	10,413	(9,677)
Trade and other receivables	(1,109)	4,595
Assets classified as held-for-sale	740	-
Trade and other payables	(585)	3,995
CASH GENERATED FROM/(USED IN) OPERATIONS	15,771	2,912
Income tax paid	(400)	(601)
Income tax refund	146	150
Interest paid	(767)	(722)
Interest received	47	84
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	14,797	1,823
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(483)	(7,332)
Investment in subsidiary	(747)	-
Derivative financial assets	2,796	-
Proceeds from disposal of property, plant and equipment	5,304	2,673
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	6,870	(4,659)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares	46	2
Decrease in warrants	(9)	-
Reversed placement of fixed deposits pledged with bank	1,000	-
Funds from bank loans	13,000	25,254
Decrease in bills payable	(12,348)	(18,806)
Repayment of bank loans	(15,272)	(14,356)
Repayment of hire purchase contracts	(34)	(852)
NET CASH USED IN FINANCING ACTIVITIES	(13,617)	(8,758)
Net decrease in cash and cash equivalents	8,050	(11,594)
Cash and cash equivalents at beginning of the financial year	18,202	32,032
CASH AND CASH EQUIVALENTS AT END OF PERIOD	26,252	20,438
Cash and cash equivalents at end of the period includes the following:		
Cash and bank balances	22,217	16,415
Fixed deposits	4,035	4,023
Cash and cash equivalents at end of the period	26,252	20,438

- 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	-	-	9,636	9,636	-	9,636
Issue of new shares on conversion of warrants	46	(9)	-	37	-	37
Issue of shares to minority shareholders	-	-	-	-	(245)	(245)
Minority interest share of losses	-	-	(245)	(245)	245	-
Balance as at 31 March 2011	30,304	1,905	36,316	68,525	-	68,525
Balance as at 1 July 2009	30,256	1,914	22,882	55,052	-	55,052
Total comprehensive income	-	-	2,823	2,823	-	2,823
Issue of new shares on conversion of warrants	2	-	-	2	-	2
Balance as at 31 March 2010	30,258	1,914	25,705	57,877	-	57,877

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)	-	-	(1,574)	(1,574)
Issue of new shares on conversion of warrants	46	(9)	-	37
Balance as at 31 March 2011	30,304	1,905	(5,485)	26,724
Balance as at 1 July 2009	30,256	1,914	(4,828)	27,342
Total comprehensive (loss)	-	-	987	987
Issue of new shares on conversion of warrants	2	-	-	2
Balance as at 31 March 2010	30,258	1,914	(3,841)	28,331

- 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 March 2011, the total number of shares issued upon the exercise of warrants is 4,684,000 ordinary shares (31 March 2010: 4,375,000).

There were 64,761,050 and 65,046,050 outstanding warrants as at 31 March 2011 and 31 March 2010 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 March 2011, the share capital of the Company was 351,789,250 ordinary shares (31 March 2010: 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 per ordinary share (cents)	31 Mar 11	31 Mar 10
(i) Based on weighted average number of ordinary shares in issue	2.74	0.80
(ii) On a fully diluted basis	2.73	0.80

The earnings per share for the period ended 31 March 2011 is calculated by dividing the profit attributable to shareholders of \$9,636,000 (31 March 2010: \$2,823,000) by the weighted average number of ordinary shares of 351,576,258 (31 March 2010: 351,478,000) in issue during the financial period.

The diluted earnings per share for the period ended 31 March 2011 is calculated by dividing the profit attributable to shareholders of \$9,636,000 (31 March 2010: \$2,823,000) by the adjusted weighted average number of ordinary shares of 352,428,061 (31 March 2010: 354,030,000) 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 Mar 11	30 Jun 10	31 Mar 11	30 Jun 10
Net asset value per ordinary share based on issued shares capital as at the end of the period reported on	19.48 cents	16.47 cents	7.60 cents	8.06 cents

The net asset value per share of the Group has been calculated based on equity attributable to shareholders of \$68,525,000 (30 June 2010: \$57,877,000) and share capital of 351,789,250 (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 \$26,724,000 (30 June 2010: \$28,331,000) and share capital of 351,789,250 (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.

INCOME STATEMENT REVIEW

Review for the three months ended 31 March 2011

Group revenue decreased 33.6% (\$11 million) to \$21.8 million year-on-year caused by the reduction in export sales, which was partially offset by the increase in local sales.

Gross profits increased 10.3% to \$3.7 million as a result of tight inventory management, higher margin product mix and improved selling prices.

Other income increased 53.7% (\$0.8 million) to \$2.3 million due mainly to the reversal of allowance for impairment of inventories.

Distribution cost decreased 65.7% (\$0.2 million) to \$0.1 million as a result of the reduction in carriage and freight expenses arising from lower export sales.

Administrative expenses reduced 21.4% (\$0.5 million) as a result of the reduction in depreciation expenses.

The Group made a net profit of \$2.3 million for the three months ended 31 March 2011, an increase of \$1.3

million (+127.5%) over the same quarter last year as the Group kept a tight rein on costs augmented with higher margin product mix and improved selling prices.

Review for the 9 months ended 31 March 2011

Group revenue decreased \$15.9 million (-16.1%) to \$83.1 million caused by the reduction in export sales, which was partially offset by the increase in local sales.

Gross profits increased 26.3% to \$10.2 million as a result of tighter inventory costs control, higher margin product mix and improved selling prices.

Other income increased \$5.6 million (+75.8%) to \$13.1 million as a result of gains on disposal of property and machinery.

Distribution expenses decreased \$0.4 million (-39.9%) to \$0.6 million as a result of a reduction in carriage and freight expenses arising from lower export sales.

Other operating expenses increased \$1.4 million (+33.1%) to \$5.6 million caused mainly by the impairment in financial assets.

The Group recorded a net profit of \$9.6 million for the 9 months to 31 March 2011, an increase of 241.3% (\$6.8 million) from the previous year, due mainly to gains from disposal of property.

STATEMENT OF FINANCIAL POSITION REVIEW (March 2011 vs June 2010)

Equity attributable to owners of the parent increased by \$9.4 million to \$68.5 million as at 31 March 2011 due mainly to profits derived in the nine months.

Total Group assets decreased by \$7.6 million to \$113.8 million as at 31 March 2011 mainly attributable to the reduction in inventory levels by \$9.1 million. This was partially offset by the increase in cash and cash equivalents.

Total Group liabilities decreased by \$17.1 million to \$45.3 million as at 31 March 2011 due to the repayment of bank loans and bills payable.

- 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.**

Global demand for steel is expected to continue to grow at a more moderate pace in 2011, supported mainly by demand from China and India. Long term, global steel demand could rise further from the reconstruction efforts in Japan, following the earthquake and tsunami in March 2011. However prices are also expected to stay volatile given the weakening US dollar and moderating economic growth in the developed economies. At the same time, competition remains very keen on both the global and local front, adding further uncertainty to our operating environment.

Amidst these challenges, the Group will continue to employ a margin-centric strategy that seeks to enhance its competitiveness and preserve profitability. It will continue to place emphasis on managing its inventory prudently and as well as improving its operational productivity. It is also seeking out opportunities to grow its business further.

Barring any unforeseen circumstances, the Group expects to remain profitable in the next reporting period.

- 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 two directors of Union Steel Holdings Limited, do hereby confirm on behalf of the Company that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial results for the third quarter and nine months ended 31 March 2011 to be false or misleading in any material aspects.

BY ORDER OF THE BOARD

ANG YU SENG
CEO/EXECUTIVE DIRECTOR
12 May 2011