

The initial public offering of the shares in the capital of Union Steel Holdings Limited was sponsored by OCBC Bank

UNION STEEL HOLDINGS LIMITED

Listed companies must provide the information required by Appendix 7.2 of the Listing Manual. Adequate disclosure should be given to explain any material extraordinary item either as a footnote of the material extraordinary item or in the "Review of the performance of the group".

Half Year Financial Statement and Dividend Announcement for the Period Ended 31/12/2005

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.

	Note	Group 31-Dec-05 S\$'000	Pro Forma Group 31-Dec-04 S\$'000	Increase/ (Decrease) %
Revenue		51,683	58,627	(11.84)
Cost of sales		(43,894)	(47,861)	(8.29)
Gross profit		7,789	10,766	(27.65)
Other operating income		1,911	1,066	79.27
Selling and distribution costs		(3,048)	(2,645)	15.24
General and administrative expenses		(3,093)	(2,310)	33.90
Other operating expenses		(65)	(182)	(64.29)
Operating Profit		3,494	6,695	(47.81)
Finance costs		(562)	(209)	168.90
Operating profit before income tax	1	2,932	6,486	(54.79)
Income tax		(702)	(1,297)	(45.88)
Profit for the financial period attributable to shareholders		2,230	5,189	(57.02)

- Union Steel Holdings Limited was incorporated in the Republic of Singapore under the name of Union Steel Holdings Pte Ltd on 12 August 2004 as a private limited company. On 29 June 2005, it changed its name to Union Steel Holdings Limited. In connection with the company's conversion to a public company limited by shares and was admitted to the main board of Singapore Exchange Securities Trading Limited (SGX-ST) on 15 August 2005.
- Union Steel Group (the "Group") was formed as a result of restructuring exercise undertaken on 28 June 2005 as described in the Prospectus dated 2 August 2005 ("Restructuring Exercise")
- The consolidated financial statements of the Group for the half year ended 31 December 2004 have been prepared using the "Pooling-of-interest" method, as the entities within the group are under the common control before and after the restructuring exercise. Under the Pooling-of-interest method, the financial statements of the Group for the half year ended 31 December 2004 have been presented as if the Group has been in existence prior to 28 June 2005 and the assets and liabilities are brought into the consolidated financial statement at their existing carrying amount.

Note 1 – Operating Profit before income tax is stated after (charging)/crediting the following:

	Group	Pro Forma Group	
	31-Dec-05	31-Dec-04	Increase/ (Decrease)
	S\$'000	S\$'000	%
Allowance for doubtful debt	-	(60)	(100.00)
Bad debt recovered	1	-	NM
Depreciation	(1,240)	(1,019)	21.69
Foreign exchange loss	(65)	(123)	(47.15)
Gain on disposal of plant and equipment	242	21	1,052.38
Interest expenses	(562)	(209)	168.90
Rental income	1,144	846	35.22
Interest income on fixed deposit	53	-	NM

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

Balance Sheet

	Pro Forma		Company	
	Group	Group	31-Dec-05	30-Jun-05
	31-Dec-05	30-Jun-05	31-Dec-05	30-Jun-05
	S\$'000	S\$'000	S\$'000	S\$'000
NON-CURRENT ASSETS				
Properties, plant & equipments	27,939	27,902	-	-
Investment in subsidiaries	-	-	16,326	16,326
CURRENT ASSETS				
Stocks	24,628	15,193	-	-
Trade debtors	10,533	10,718	-	-
Other debtors & prepayments	188	837	2,069	656
Loan to subsidiaries	-	-	6,713	-
Amount due from subsidiaries	-	-	467	5,000
Fixed deposit	5,000	-	5,000	-
Cash & bank balances	2,347	3,926	154	-
	<u>42,696</u>	<u>30,674</u>	<u>14,403</u>	<u>5,656</u>
CURRENT LIABILITIES				
Trade creditors	4,828	5,649	254	100
Other creditors	207	649	-	-
Obligations under hire purchase contracts	826	1,074	-	-
Amount due to subsidiary	-	-	-	636
Bill payable and Short term bank loan	18,910	15,556	-	-
Provision for taxation	2,539	2,936	-	-
	<u>27,310</u>	<u>25,864</u>	<u>254</u>	<u>736</u>
Net Current Asset	<u>15,386</u>	<u>4,810</u>	<u>14,149</u>	<u>4,920</u>
NON-CURRENT LIABILITIES				
Bank loan	5,520	6,198	-	-
Obligations under hire purchase contracts	58	107	-	-
Deferred taxation	482	482	-	-
TOTAL NON-CURRENT LIABILITIES	<u>6,060</u>	<u>6,787</u>	<u>-</u>	<u>-</u>
Net Asset	<u>37,265</u>	<u>25,925</u>	<u>30,475</u>	<u>21,246</u>
SHARE CAPITAL & RESERVES				
Share capital	20,826	16,326	20,826	16,326
Share premium	8,775	-	8,775	-
Retained profits	7,664	9,599	874	4,920
Total Equity	<u>37,265</u>	<u>25,925</u>	<u>30,475</u>	<u>21,246</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 2005		As at 30 June 2005	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
19,736	-	16,630	-

Amount repayable after one year

As at 31 December 2005		As at 30 June 2005	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
5,578	-	6,305	-

Note:

As at 31 December 2005, the Group's bills payable and short term bank loans are secured by corporate guarantees given by the company to the bankers.

The Group's bank term loans are secured by legal mortgage over the properties of the subsidiaries and corporate guarantees given by the company.

The Group's obligation under hire purchase contracts are secured against the respective assets under hire purchase, corporate guarantees by the company and personal guarantee by certain directors of the Group.

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

Cash Flow Statement

	Group 31-Dec-05 S\$'000	Pro Forma Group 31-Dec-04 S\$'000
Cash flows from operating activities: -		
Profit before taxation	2,932	6,486
Adjustments for:		
Depreciation of property, plant and equipment	1,240	1,019
Gain on disposal of plant and equipment	(242)	(21)
Interest expense	562	209
Interest income	(53)	-
Operating profit before working capital changes	4,439	7,693
(Increase)/Decrease in stocks	(9,435)	3,099
Decrease/(Increase) in trade debtors	185	(2,269)
Decrease/(Increase) in other debtors and prepayments	649	(81)
(Decrease)/Increase in trade creditors	(821)	434
(Decrease)/Increase in other creditors	(442)	20
Cash (used in)/generated from operations	(5,425)	8,896
Income tax paid	(1,099)	(1,827)
Interest paid	(562)	(209)
Interest income received	53	-
Net cash (used in)/generated from operating activities	(7,033)	6,860
Cash flows from investing activities: -		
Purchase of property, plant and equipment	(913)	(6,564)
Proceeds from disposal of plant and equipment	298	21
Repayment of hire purchase contracts	(717)	(479)
Net cash used in investing activities	(1,332)	(7,022)
Cash flows from financing activities: -		
Proceeds from issue of capital net of issue expenses	13,275	-
Net proceeds from bank borrowing	2,676	6,047
Dividends paid	(4,165)	(7,000)
Net cash (used in)/generated from financing activities	11,786	(953)
Net increase/(decrease) in cash and cash equivalents	3,421	(1,115)
Cash and cash equivalents at beginning of the financial year	3,926	4,382
Cash and cash equivalents at end of the financial year	7,347	3,267
Cash and cash equivalents comprise:		
Cash and bank balances	2,347	3,267
Fixed deposit	5,000	-
	7,347	3,267

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 capitalization issues and distributions of shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statement of changes in equity

	Group	Pro Forma	Company	Pro Forma
	31-Dec-05	Group	31-Dec-05	Company
	S\$'000	31-Dec-04	S\$'000	31-Dec-04
	S\$'000	S\$'000	S\$'000	S\$'000
Issued Capital				
Balance at beginning of the financial period	16,326	2,120	16,326	-
Issuance during the financial period	4,500	-	4,500	-
Balance at end of the financial period	20,826	2,120	20,826	-
Share Premium				
Balance at beginning of the financial period	-	-	-	-
Issuance during the financial period	8,775	-	8,775	-
Balance at end of the financial period	8,775	-	8,775	-
Revenue Reserve				
Balance at beginning of the period	9,599	21,206	4,920	-
Profit for the financial period	2,230	5,189	119	-
Dividend declared and paid	(4,165)	(7,000)	(4,165)	-
Balance at end of the financial period	7,664	19,395	874	-
Total Equity	37,265	21,515	30,475	-

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, 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 the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

	No of shares	S\$
Pre-invitation share capital as at 30 June 2005	272,105,250	16,326,315
New shares issued for invitation on 12 August 2005	75,000,000	4,500,000
Post-invitation issued and paid up share capital	347,105,250	20,826,315

Pursuant to the Company's Initial Public Offering, 75,000,000 new ordinary shares and 14,000,000 vendor shares were offered at an issue price of S\$0.20 each. The Company was admitted to the official list of the Singapore Exchange Securities Trading Limited on 15 August 2005.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The above figures have not been audited or reviewed.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a 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 accounting policies have been consistently applied by the Group and are consistent with those used in previous financial period except that the group has adopted all the applicable new/revised FRS which became effective during the period.

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 adoption of new/revised FRS is currently assessed to have no significant impact on the financial position and result of the current period and prior period of the Group.

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.

	Group 31-Dec-05	Pro Forma Group 31-Dec-04
Earnings per ordinary share for the period based on Net profit attributable to Shareholders	Cents	Cents
i) Based on weighted average number of ordinary shares on issue	0.64	1.91
ii) on a fully diluted basis (detailing any adjustments made to the	0.64	1.91
Number of ordinary shares	347,105,250	272,105,250

**7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-
(a) current financial period reported on; and
(b) immediately preceding financial year.**

	Group 31-Dec-05 Cents	Pro Forma Group 30-Jun-05 Cents	Company 31-Dec-05 Cents	Company 30-Jun-05 Cents
Net asset value per ordinary share based on issued share capital as at the end of the period reported on	10.73	9.53	8.78	7.81
Number of ordinary shares	347,105,250	272,105,250	347,105,250	272,105,250

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.**

(a) Turnover , Gross Margin

Turnover for the current financial period has declined by 11.84% as compared with the corresponding financial period of the last financial year. The declined in turnover is due to drop in exports to Indonesia and India. However, growth in sales to Bangladesh market has make up for part of the drop in sales to Indonesia and India.

Gross margin for the current financial period at 15.07% was lower than 18.36% achieved in the corresponding financial period of the last financial year. Decrease in gross margin is resulted from lower gross margin contribution from the recycling segment due to higher purchase cost.

(b) Cost

Distribution cost increased by 15.24% in the current financial period as compared to the corresponding financial period of the last financial year. The increased in Distribution cost is attributed to higher freight and handling charges due to increase in the international prices of fuel in 2005.

Administrative cost increased by 33.90% in the current financial period as compared with the corresponding financial period of the last financial year due mainly to increase in utilities expenses, transportation charges, property tax and staff cost. The increased in property tax was due mainly to the acquisitions of new premises located at 31 Pioneer Road North Singapore 628472, 33 Pioneer Road North Singapore 628474, 14 Gul Road Singapore 629344 and Jalan Samulun Singapore 629120.

Finance cost increased by 168.90% from in the current financial period as compared with the corresponding financial period of the last financial year. The increased in finance cost is attributed to increasing interest rate in 2005 and an increased in bank borrowings.

(c) Assets & Liabilities

The increased in inventory is due to import purchase of steel products and taking delivery in the second quarter of the financial year.

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 continuously high level in international fuel price and interest rate will result in Group's operating costs to increase in this financial year. The Group expects operating costs such as fuel, gas and diesel expenses, distribution costs and finance cost to increase. Demand and prices for scrap metals and steel products are expected to remain volatile.

Barring any unforeseen circumstances, the Group expects the outlook for second half of FY2006 to remain profitable albeit lower than last financial year.

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?

No

(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

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

Not applicable

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Not applicable

15. A breakdown of sales.

Not applicable

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

Not applicable

**BY ORDER OF THE BOARD
ANG YU SENG
CEO/EXECUTIVE DIRECTOR
7 FEBRUARY 2006**