



Union Steel Holdings Limited
(Company Registration Number: 200410181W)
(Incorporated in the Republic of Singapore on 12 August 2004)

PRESS RELEASE

UNION STEEL HOLDINGS LIMITED REPORTS NET PROFIT OF S\$2.2 MILLION ON A TURNOVER OF S\$51.7 MILLION IN HY2006

Singapore, **7 February 2005** – Union Steel Holdings Limited (“Union Steel” or the “Company”), an integrated metal recycling company, continued to report profitability in the first half of FY2006 despite challenging market conditions. It announced a net profit of S\$2.2 million on a turnover of S\$51.7 million for the half year ended 31 December 2005.

Sales and net profit were however softer compared to the first half of FY2005.

Turnover eased by 11.8% owing to lower sales to Indonesia and India. However, growth in sales to Bangladesh made up for part of the drop in sales to Indonesia and India. Gross margins at 15.1% are also lower than the 18.4% achieved in the corresponding period of the previous financial year. This is due to higher purchase cost which affected the Group’s recycling business.

Higher freight and handling charges resulting from higher international fuel prices led to higher operating costs. Acquisition of new premises at 31 and 33 Pioneer Rd North, 14 Gul Rd, and Jalan Samulan also led to a rise in property tax, while finance costs also increased due to rising interest rates in 2005 and an increase in bank borrowings. As a result, net profit was lower by 57% than in the corresponding period for the previous financial year. The Group registered an EPS of 0.64 cents, an annualised ROE of 12.0% and annualised ROA of 6.3%.

The Group also saw a 43.7% increase in net assets, from S\$25.9 million in FY2005 to S\$37.3 million in HY2006. Net Asset Value (NAV) per ordinary share rose from 9.53 cents to 10.73 cents through the same period.

Chief Executive Officer and co-founder Mr Ang Yu Seng said, “The operating conditions were very challenging in the first half of FY06. We continued to be profitable although our profitability was affected by the higher operating costs and lower sales to some of our key markets. The rise in international fuel prices and the increase in interest rates will persist and put pressure on our margins. Demand and prices for scrap metals and steel products are also expected to remain volatile. But as we continue to focus on building our core strengths in recycling, we believe that we can overcome the challenges in the months ahead. Barring any unforeseen circumstances, we expect the outlook for second half of FY2006 to remain profitable albeit lower than the last financial year.”

About Union Steel

Founded in 1984, Union Steel's Directors believe the Company is currently one of the largest metals recyclers in Singapore in terms of volume of metals recycled.

The Company, which was listed on the mainboard of the SGX, provides customers with a one-stop supply service for their recycled metals needs, ranging from the collection of scrap metals, the segregation and recycling of scrap metals and the packing and delivering of recycled metals. For its steel trading business, the Company offers a wide range of steel products such as bars, beams, sheet piles, plates and pipes.

To complement its core business and to provide a vertically-integrated service, the Company also operates waste collection and management services, demolition works and car scrapping services through which it collects ferrous and non-ferrous scrap metals at a competitive cost for its metals recycling business.

The Company's customer base of over 500 customers comprises mainly steel mills, foundries, metal fabricators, metal brokers, trading houses, construction companies and engineering companies in countries such as the PRC, India, Indonesia, Japan, Malaysia and Singapore.

For more information on Union Steel, please visit its website at:

<http://www.unionsteel.com.sg>

The initial public offering of the Company's shares was sponsored by OCBC Bank.

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For and on behalf of Union Steel Holdings Limited

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