

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 Dec 2006

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.

		Group		Increase/ (Decrease)
	Note	31-Dec-06 S\$'000	31-Dec-05 S\$'000	%
Revenue		141,115	51,683	173.04
Cost of sales		(131,407)	(43,894)	199.37
Gross profit		9,708	7,789	24.64
Other operating income		2,315	1,911	21.14
Selling and distribution costs		(2,142)	(3,048)	(29.72)
General and administrative expenses		(3,785)	(3,093)	22.37
Other operating income/(expenses)		401	(65)	NM
Operating Profit		6,497	3,494	85.95
Finance costs		(1,000)	(562)	77.94
Operating profit before income tax	1	5,497	2,932	87.48
Income tax		(1,099)	(702)	56.61
Profit for the financial period attributable to shareholders		4,398	2,230	97.20

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

	Group		Increase/ (Decrease)
	31-Dec-06 S\$'000	31-Dec-05 S\$'000	%
Allowance for doubtful debt	(325)	-	NM
Bad debt recovered	-	1	NM
Depreciation	(1,557)	(1,240)	25.56
Foreign exchange gain/(loss)	726	(65)	NM
Gain on disposal of plant and equipment	100	242	(58.68)
Interest expenses	(1,000)	(562)	77.94
Rental income	1,684	1,144	47.20
Interest income on fixed deposit	107	53	101.89

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

	Group		Company	
	31-Dec-06	30-Jun-06	31-Dec-06	30-Jun-06
	S\$'000	S\$'000	S\$'000	S\$'000
NON-CURRENT ASSETS				
Properties, plant & equipments	30,051	29,660	445	-
Investment in subsidiaries	-	-	16,506	16,506
CURRENT ASSETS				
Stocks	39,316	27,138	-	-
Trade debtors	28,712	11,241	-	-
Other debtors & prepayments	186	440	1,633	4,025
Loan to subsidiaries	-	-	5,755	5,727
Amount due from subsidiaries	-	-	1,452	1,384
Fixed deposit	5,138	5,053	5,138	5,053
Cash & bank balances	7,869	7,044	52	130
	<u>81,221</u>	<u>50,916</u>	<u>14,030</u>	<u>16,319</u>
CURRENT LIABILITIES				
Trade creditors	12,630	8,451	313	132
Other creditors	793	799	61	108
Obligations under hire purchase contracts	979	1,718	95	-
Bill payable and Short term bank loan	45,476	20,526	-	-
Non-hedging currency derivative financial Instruments	406	335	-	-
Provision for taxation	1,988	1,638	20	37
	<u>62,272</u>	<u>33,467</u>	<u>489</u>	<u>277</u>
Net Current Asset	<u>18,949</u>	<u>17,449</u>	<u>13,541</u>	<u>16,042</u>
NON-CURRENT LIABILITIES				
Bank loan	4,701	5,114	-	-
Obligations under hire purchase contracts	188	26	181	-
Deferred taxation	602	602	-	-
TOTAL NON-CURRENT LIABILITIES	<u>5,491</u>	<u>5,742</u>	<u>181</u>	<u>-</u>
Net Asset	<u>43,509</u>	<u>41,367</u>	<u>30,311</u>	<u>32,548</u>
SHARE CAPITAL & RESERVES				
Share capital	29,601	29,601	29,601	29,601
Retained profits	13,908	11,766	710	2,947
Total Equity	<u>43,509</u>	<u>41,367</u>	<u>30,311</u>	<u>32,548</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 2006		As at 30 June 2006	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
46,455	-	22,244	-

Amount repayable after one year

As at 31 December 2006		As at 30 June 2006	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
4,889	-	5,140	-

Note:

As at 31 December 2006, 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-06	31-Dec-05
	S\$'000	S\$'000
Cash flows from operating activities: -		
Profit before taxation	5,497	2,932
Adjustments for:		
Depreciation of property, plant and equipment	1,557	1,240
Gain on disposal of plant and equipment	(100)	(242)
Interest expense	1,000	562
Interest income	(107)	(53)
Changes in fair value of non-hedging currency derivative financial instruments	71	-
Operating profit before working capital changes	7,918	4,439
Increase in stocks	(12,178)	(9,435)
(Increase)/Decrease in trade debtors	(17,471)	185
Decrease in other debtors and prepayments	254	649
Increase/(Decrease) in trade creditors	4,179	(821)
Decrease in other creditors	(6)	(442)
Cash used in operations	(17,304)	(5,425)
Income tax paid	(749)	(1,099)
Interest paid	(1,000)	(562)
Interest income received	107	53
Net cash used in operating activities	(18,946)	(7,033)
Cash flows from investing activities: -		
Purchase of property, plant and equipment	(2,285)	(913)
Proceeds from disposal of plant and equipment	437	298
Repayment of hire purchase contracts	(577)	(717)
Net cash used in investing activities	(2,425)	(1,332)
Cash flows from financing activities: -		
Proceeds from issue of capital net of issue expenses	-	13,275
Funds from long-term and short-term bank loans	3,000	3,700
Increase in bills payable	23,674	4,269
Repayment of long-term and short-term bank loan	(2,137)	(5,293)
Dividends paid	(2,256)	(4,165)
Net cash from financing activities	22,281	11,786
Net increase in cash and cash equivalents	910	3,421
Cash and cash equivalents at beginning of the financial year	12,097	3,926
Cash and cash equivalents at end of the financial year	13,007	7,347
Cash and cash equivalents comprise:		
Cash and bank balances	7,869	2,347
Fixed deposit	5,138	5,000
	13,007	7,347

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

The Group	Share Capital \$'000	Share Premium \$'000	Revenue Reserve \$'000	Total \$'000
<i>Financial Period Ended 31 December 2005</i>				
Balance as at 1 July 2005	16,326	-	9,599	25,925
Issuance of ordinary shares	4,500	8,775	-	13,275
Dividend paid	-	-	(4,165)	(4,165)
Net profit for the financial Year	-	-	2,230	2,230
Balance as at 31 December 2005	20,826	8,775	7,664	37,265

The Group	Share Capital \$'000	Share Premium \$'000	Revenue Reserve \$'000	Total \$'000
<i>Financial Period Ended 31 December 2006</i>				
Balance as at 1 July 2006	29,601	-	11,766	41,367
Dividend paid	-	-	(2,256)	(2,256)
Net profit for the financial Year	-	-	4,398	4,398
Balance as at 31 December 2006	29,601	-	13,908	43,509

The Company	Share Capital \$'000	Share Premium \$'000	Revenue Reserve \$'000	Total \$'000
<i>Financial Year Period 31 December 2005</i>				
Balance as at 1 July 2005	16,326	-	4,920	21,246
Issuance of ordinary shares	4,500	8,775	-	13,275
Dividend paid	-	-	(4,165)	(4,165)
Net profit for the financial Year	-	-	119	119
Balance as at 31 December 2005	20,826	8,775	874	30,475

The Company	Share Capital \$'000	Share Premium \$'000	Revenue Reserve \$'000	Total \$'000
<i>Financial Year Period 31 December 2006</i>				
Balance as at 1 July 2006	29,601	-	2,947	32,548
Dividend paid	-	-	(2,256)	(2,256)
Net profit for the financial Year	-	-	19	19
Balance as at 31 December 2006	29,601	-	710	30,311

Note: With effect from 30 January 2006, the concepts of "Par Value" and "Authorised Capital" were abolished under the Companies (Amendment) Act 2005. The amount standing to the credit of the company's share premium account as at 30 January 2006 has become part of the company's share capital as at that date.

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.

None

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.

There is no change in accounting policies and method of computation.

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	
	Six Months 31-Dec-06	Six Months 31-Dec-05
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	1.27	0.64
ii) on a fully diluted basis (detailing any adjustments made to the earning)	1.27	0.64
Number of ordinary shares	347,105,250	347,105,250

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		Company	
	31-Dec-06 Cents	30-Jun-06 Cents	31-Dec-06 Cents	30-Jun-06 Cents
Net asset value per ordinary share based on issued share capital as at the end of the period reported on	12.53	11.92	8.73	9.38
Number of ordinary shares	347,105,250	347,105,250	347,105,250	347,105,250

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 increased by 173.04% as compared to the corresponding financial period of the last financial year. The increased in turnover is mainly due to increase in the recycling of non-ferrous metal and the increase in sales of steel products.

Gross margin for the current financial period at 6.88% was lower than 15.07% achieved in the corresponding financial period of the last financial year. Decrease in gross margin is a result of lower margin contribution from the recycling of non-ferrous metal and the trading of steel products. The margin contribution from the trading segment generally fetches a lower margin compared to the recycling segment. Gross margin contribution from the recycling segment has also decreased due to intense competition in international scrap price.

(b) Cost

Distribution cost decreased by 29.72% in the current financial period as compared to the corresponding financial period of the last financial year. The decreased in distribution cost is mainly attributed to decrease in export of recycled ferrous scrap metal and lower freight and handling charges due to decrease in the international prices of fuel toward the end of second half of 2006.

Administrative cost increased by 22.37% in the current financial period as compared with the corresponding financial period of the last financial year mainly due to increase in utilities expenses, bank charges, insurance and staff cost. The increase in bank charges is in tandem with the increased in bank borrowing as stated below. Staff cost increased is due to expansion of staff strength.

Finance cost increased by 77.94% 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 higher interest rate in 2006 resulting to higher borrowing cost and an increased in bank borrowings.

(c) Assets & Liabilities

The increased in inventory and trade receivable is the result of an increased in turnover. Although the absolute amount of inventory had increased, inventory turnover days has actually decreased from and 84 days to 55 days in the current financial period as compared to the end of the immediately preceding financial year. Trade receivable turnover days has increased slightly from 30 days to 37 days in the current financial period as compared to the end of the immediately preceding financial year.

Bank borrowing has been employed to finance the increased in trade receivable and inventory. This has resulted in the increased in bank borrowing and the corresponding increased in finance cost and bank charges as mentioned above.

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 group has managed to achieve a significant increase in turnover for the first half of FY 2007. However, due to lower margin contribution from the recycling and trading segment and intense competition in international scrap prices, the profit margin of the group has decreased. Nevertheless, the Group still managed to achieve a substantially higher net profit for the first half of FY2007 as compared to the first half of FY2006.

The Group expects the general business environment for the second half of FY2007 to be similar with the first half of FY2007. The group will continue to experience revenue growth for second half of FY2007 but with the prospect of lower gross margin. Barring any unforeseen circumstances, the group will remain profitable for FY2007.

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/recommended, 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

CONFIRMATION BY THE BOARD
PURSUANT TO RULE 705(4) OF THE LISTING MANUAL

We, Ang Yu Seng and Ang Yew Lai being Directors of Union Steel Holdings Limited (the "Company") do hereby confirm on behalf of the Board of Directors 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 six months ended 31 December 2006 to be false or misleading.

BY ORDER OF THE BOARD

ANG YU SENG
CEO/EXECUTIVE DIRECTOR

ANG YEW LAI
EXECUTIVE DIRECTOR