



UNION STEEL HOLDINGS LIMITED

友联钢铁控股有限公司

Full-Year Unaudited Financial Statement And Dividend Announcement

PART 1 – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), FULL-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 | | % |
|-------------------------------|-------------------|-------------------|-------------------------|
| | FY2007 S\$'000 | FY2006 S\$'000 | Increase/ (Decrease) |
| Revenue | 337,861 | 136,022 | 148 |
| Cost of sales | (316,782) | (118,081) | 168 |
| Gross profit | 21,079 | 17,941 | 17 |
| Other income | 5,222 | 3,774 | 38 |
| Distribution costs | (4,339) | (5,570) | (22) |
| Administrative expenses | (8,000) | (6,510) | 23 |
| Other operating expenses | (1,245) | (437) | 185 |
| Finance costs | (2,767) | (1,196) | 131 |
| Profit before taxation | 9,950 | 8,002 | 24 |
| Income tax expenses | (1,902) | (1,670) | 14 |
| Profit for the year | 8,048 | 6,332 | 27 |
| Attributable to : | | | |
| Equity holders of the parent | 8,048 | 6,332 | |
| Minority interests | 0 | 0 | |
| | 8,048 | 6,332 | |

| | Group | |
|--|--------|--------|
| | FY2007 | FY2006 |
| Basic earning per share (cents) | 2.32 | 1.86 |

1(a)(i) Profit before taxation is stated after charging / (crediting) the following:-

| | Group | | % |
|---|----------------|----------------|---------------------------------|
| | FY2007 | FY2006 | Increase/ (Decrease) |
| | S\$'000 | S\$'000 | |
| Allowance for doubtful debts | (427) | (14) | 2,950 |
| Depreciation of property, plant and equipment | (3,243) | (2,576) | 26 |
| Allowance for impairment loss in value of inventories | (819) | - | NM |
| Interest expenses | (2,767) | (1,196) | 131 |
| Foreign exchange gain / (loss) | 802 | (447) | NM |
| Gain on disposal of plant and equipment | 101 | 304 | (67) |
| Rental income | 3,403 | 2,538 | 34 |
| Interest income | 209 | 141 | 48 |
| Bad debts recovered | 2 | 24 | (92) |

NM – Not meaningful

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.

| | Group | | Company | |
|--|-----------------------|----------------------|----------------------|----------------------|
| | 30-June-07 | 30-June-06 | 30-June-07 | 30-June-06 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | 20,865 | 29,660 | 298 | - |
| Investments in subsidiaries | - | - | 16,506 | 16,506 |
| Golf club membership | 159 | | 159 | - |
| | <u>21,024</u> | <u>29,660</u> | <u>16,963</u> | <u>16,506</u> |
| Current assets | | | | |
| Non-current assets held for sale | 13,483 | - | - | - |
| Inventories | 42,601 | 27,138 | - | - |
| Trade receivables | 21,310 | 11,241 | - | - |
| Other receivables and prepayments | 691 | 440 | 4,696 | 4,025 |
| Amounts owing by subsidiaries | - | - | 8,200 | 7,111 |
| Cash and bank balances | 20,163 | 12,097 | 5,550 | 5,183 |
| | <u>84,765</u> | <u>50,916</u> | <u>18,446</u> | <u>16,319</u> |
| Total assets | <u>119,272</u> | <u>80,576</u> | <u>35,409</u> | <u>32,825</u> |
| EQUITY AND LIABILITIES | | | | |
| Equity attributable to equity holders of the parent | | | | |
| Share capital | 29,601 | 29,601 | 29,601 | 29,601 |
| Reserves | 17,558 | 11,766 | 4,751 | 2,947 |
| | <u>47,159</u> | <u>41,367</u> | <u>34,352</u> | <u>32,548</u> |
| Minority Interest | 45 | - | - | - |
| Total equity | <u>47,204</u> | <u>41,367</u> | <u>34,352</u> | <u>32,548</u> |
| Non-current liabilities | | | | |
| Bank loans | 7,639 | 5,114 | - | - |
| Obligations under hire purchase contracts | 138 | 26 | 134 | - |
| Deferred taxation | 943 | 602 | - | - |
| | <u>8,720</u> | <u>5,742</u> | <u>134</u> | <u>-</u> |
| Current liabilities | | | | |
| Trade payables | 16,654 | 8,451 | 238 | 132 |
| Other payables | 1,753 | 799 | 384 | 108 |
| Bills payables and bank loans | 42,972 | 20,526 | - | - |
| Obligations under hire purchase contracts | 179 | 1,718 | 94 | - |
| Non-hedging currency derivative financial instruments | - | 335 | - | - |
| Provision for taxation | 1,790 | 1,638 | 207 | 37 |
| | <u>63,348</u> | <u>33,467</u> | <u>923</u> | <u>277</u> |
| Total liabilities | <u>72,068</u> | <u>39,209</u> | <u>1,057</u> | <u>277</u> |
| Total equity and liabilities | <u>119,272</u> | <u>80,576</u> | <u>35,409</u> | <u>32,825</u> |

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

(a) Amount repayable in one year or less, or on demand

| As at 30 June 2007 | | As at 30 June 2006 | |
|--------------------|-----------|--------------------|-----------|
| S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Secured | Unsecured | Secured | Unsecured |
| 1,721 | 41,430 | 1,045 | 21,199 |

(b) Amount repayable after one year

| As at 30 June 2007 | | As at 30 June 2006 | |
|--------------------|-----------|--------------------|-----------|
| S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Secured | Unsecured | Secured | Unsecured |
| 7,639 | 138 | 5,114 | 26 |

(c) Details of any collateral

The Group's bank term loans are secured by legal mortgage over the properties of the Company's subsidiaries.

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

| | Group | |
|---|---------------------------|---------------------------|
| | FY2007 S\$'000 | FY2006 S\$'000 |
| Cash flows from operating activities | | |
| Profit before taxation | 9,950 | 8,002 |
| Adjustments for : | | |
| Depreciation of property, plant and equipment | 3,243 | 2,576 |
| Gain on disposal of plant and equipment | (101) | (304) |
| Interest expenses | 2,767 | 1,196 |
| Interest income | (209) | (141) |
| Changes in fair value of non-hedging currency derivative financial instruments | (335) | 335 |
| Allowance for doubtful receivables | 427 | 14 |
| Allowance for impairment loss in value of inventories | 819 | - |
| Operating profit before working capital changes | 16,561 | 11,678 |
| (Increase) / decrease in : | | |
| Inventories | (16,282) | (11,945) |
| Trade receivables | (10,496) | (537) |
| Other receivables and prepayments | (107) | 397 |
| Trade payables | 8,203 | 2,802 |
| Other payables | 954 | 150 |
| Cash (used in) / generated from operating activities | (1,167) | 2,545 |
| Income tax paid | (1,553) | (2,848) |
| Interest paid | (2,767) | (1,196) |
| Interest income received | 209 | 141 |
| Net cash used in operating activities | (5,278) | (1,358) |
| Cash flows from investing activities | | |
| Purchases of property, plant and equipment | (7,488) | (2,146) |
| Purchase of golf club membership | (159) | - |
| Proceeds from disposal of plant and equipment | 439 | 374 |
| Capital contribution from minority shareholder of subsidiary | 45 | - |
| Net cash used in investing activities | (7,163) | (1,772) |
| Cash flows from financing activities | | |
| Net proceeds from issuance of ordinary shares pursuant to the Initial Public Offering | - | 13,275 |
| Proceeds from bank loans | 13,523 | 11,150 |
| Increase in bill payables | 18,148 | 4,306 |
| Repayment of bank loans | (6,699) | (11,570) |
| Payment of hire purchase liabilities | (2,209) | (1,695) |
| Dividend paid | (2,256) | (4,165) |
| Net cash from financing activities | 20,507 | 11,301 |
| Net increase in cash and cash equivalents | 8,066 | 8,171 |
| Cash and cash equivalents at beginning of year | 12,097 | 3,926 |
| Cash and cash equivalents at end of year | 20,163 | 12,097 |

Note to Statement of Cash Flows:

1) Cash and cash equivalents comprise:

| | Group | |
|------------------------|----------------|----------------|
| | FY2007 | FY2006 |
| | S\$'000 | S\$'000 |
| Cash and bank balances | 14,953 | 7,044 |
| Fixed deposits | 5,210 | 5,053 |
| | <u>20,163</u> | <u>12,097</u> |

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.

| Group | Attributable to equity holders of the parent | | | | | |
|---|---|----------------------------------|-------------------------------------|--------------------------|---------------------------------------|---------------------------------|
| | Share Capital S\$'000 | Share Premium S\$'000 | Retained profits S\$'000 | Total S\$'000 | Minority Interests S\$'000 | Total Equity S\$'000 |
| Balance as at 1 July 2005 | 16,326 | - | 9,599 | 25,925 | - | 25,925 |
| Issue of shares pursuant to the Initial Public Offering | 4,500 | 10,500 | - | 15,000 | - | 15,000 |
| Share issue expenses | - | (1,725) | - | (1,725) | - | (1,725) |
| Transfer of share premium to share capital [Note (a)] | 8,775 | (8,775) | - | - | - | - |
| Dividend paid | - | - | (4,165) | (4,165) | - | (4,165) |
| Net Profit | - | - | 6,332 | 6,332 | - | 6,332 |
| Balance as at 30 June 2006 | 29,601 | - | 11,766 | 41,367 | - | 41,367 |
| Capital contribution | - | - | - | - | 45 | 45 |
| Dividend paid | - | - | (2,256) | (2,256) | - | (2,256) |
| Net Profit | - | - | 8,048 | 8,048 | - | 8,048 |
| Balance as at 30 June 2007 | <u>29,601</u> | <u>-</u> | <u>17,558</u> | <u>47,159</u> | <u>45</u> | <u>47,204</u> |

| Company | Share Capital | Share Premium | Retained Profits | Total Equity |
|---|----------------------|----------------------|-------------------------|---------------------|
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Balance as at 1 July 2005 | 16,326 | - | 4,920 | 21,246 |
| Issue of shares pursuant to the Initial Public Offering | 4,500 | 10,500 | - | 15,000 |
| Share issue expenses | - | (1,725) | - | (1,725) |
| Transfer of share premium to share capital [Note (a)] | 8,775 | (8,775) | - | - |
| Dividend paid | - | - | (4,165) | (4,165) |
| Net Profit | - | - | 2,192 | 2,192 |
| Balance as at 30 June 2006 | <u>29,601</u> | <u>-</u> | <u>2,947</u> | <u>32,548</u> |
| Dividend paid | - | - | (2,256) | (2,256) |
| Net Profit | - | - | 4,060 | 4,060 |
| Balance as at 30 June 2007 | <u>29,601</u> | <u>-</u> | <u>4,751</u> | <u>34,352</u> |

Note (a):

Pursuant to the Companies (Amendment) Act 2005, with effect from 30 January 2006, the concepts of par value and authorized share capital were abolished and the shares of the Company ceased to have a par value. The amount in the share premium as at 30 January 2006 became part of the Company's share capital.

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 standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard or practice.

The figures have not been audited or 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.

The Group has applied the same accounting policies and methods of computation for current reporting period compared with the audited financial statements as at 30 June 2006.

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 the new FRS's policies did not result in any changes to the Group's and Company's accounting policies.

6. **Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

| | Group | |
|--|-------------|-------------|
| | FY2007 | FY2006 |
| Earnings per ordinary share of the Group for the year based on net profit attributable to shareholders : - | | |
| Based on weighted average number of ordinary shares | 2.32 | 1.86 |
| On a fully diluted basis | 2.32 | 1.86 |
| Number of ordinary shares | 347,105,250 | 340,855,250 |

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 period reported on and (b) immediately preceding financial year.**

| | Group | | Company | |
|--|-------------|-------------|-------------|-------------|
| | 30-June-07 | 30-June-06 | 30-June-07 | 30-June-06 |
| Net Asset Value per ordinary share based on issued share capital as at the end of the period reported on | 13.60 | 11.92 | 9.90 | 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. The review must discuss 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. It must also discuss 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 and gross profit

Group revenue increased by 148% from S\$136 million in FY2006 to S\$338 million in FY2007. This was mainly due to the increase in recycling of non-ferrous metal and sales of steel products.

Gross profit margin was lower at 6% compared to 13% in FY2006. The decrease in gross profit margin was due to intense competition in international scrap prices.

(b) Other Income

Other income showed an increase of 38% to S\$5.2 million, comprising mainly rental income and gain in foreign exchange.

(c) Cost

Distribution cost

Distribution cost decreased by 22% to S\$4.3 million. This was mainly attributed to the decrease in export of recycled ferrous scrap metals and lower freight and handling charges due to bulk purchases.

Administrative Expenses

The increase in Administrative cost was mainly due to the depreciation of property, plant and equipment, utilities expenses, bank charges, insurance and staff cost.

Other Operating Expenses

Other operating expenses of S\$1.2 million arose from the allowance for impairment loss in value of inventories of S\$0.8 million and the allowance for doubtful trade debts of S\$0.4 million.

Finance Costs

Finance costs rose by 131% to S\$2.8 million due to higher utilization of banking facilities.

(d) Balance Sheet

The Company has intention to sale and leaseback of the following properties:

- a) 31/33 Pioneer Road North, Singapore 628474
- b) 119 Neythal Road, Singapore 628605
- c) 30 Tuas South Avenue 8, Singapore 637653; and
- d) 8 Tuas View Square, Singapore 637574

Hence, the properties at carrying amount have been presented separately on the balance sheet as non-current assets held for sale.

In total, property, plant and equipments increased by 16% from S\$29.7 million as at 30 June 2006 to S\$34.3 million as at 30 June 2007. In FY2007, we acquired a property, cost incurred in alternation work on the property and purchase of machineries.

Inventories, trade receivables and trade payables increased by 57%, 90% and 97% respectively, the increase was due to increase in turnover. Despite increase in absolute amounts, the turnover days for Inventories, trade receivables and trade payables has decreased compared to previous financial year. Inventories turnover days decreased from 90 days in previous financial year to 51 days in current financial year. Trade receivables turnover days decreased from 30 days in previous financial year to 23 days in current financial year. Trade payables turnover days decreased from 25 days in previous financial year to 19 days in current financial year.

Bank borrowing has been employed to finance the acquisition of property and purchase of material.

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 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 enjoyed robust growth in FY2007 fuelled by continued strong demand for recycled non-ferrous metals led by steady growth in Asian economies. This is expected to continue as there is a growing need for recycled metals due to higher demand for metals spurred by increased construction and infrastructure activities in the region.

Going forward, Union Steel will seek to strengthen its market position in Asia, by seeking new partnerships or M&A activities that are synergistic with its core business.

The outlook for FY2008 remains positive. Barring any unforeseen circumstances, the group will remain profitable for FY2008.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial year reported on?

| | |
|------------------|---------------------|
| Name of Dividend | Interim |
| Dividend Type | Cash |
| Dividend Rate | S\$0.01 |
| Tax Rate | Tax exempt one-tier |

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding year of the immediately preceding financial year?

| | |
|------------------|---------------------|
| Name of Dividend | Final |
| Dividend Type | Cash |
| Dividend Rate | S\$0.0065 |
| Tax Rate | Tax exempt one-tier |

(c) Date payable

The date payable is to be announced later

(d) Books closure date

The book closure date is to be announced later.

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

| | Recycling | | Trading | | Others | | Total Group | |
|--------------------------------|-----------|---------|---------|---------|---------|---------|--------------|--------------|
| | FY2007 | FY2006 | FY2007 | FY2006 | FY2007 | FY2006 | FY2007 | FY2006 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Segment revenue | 284,819 | 113,055 | 50,434 | 20,702 | 2,608 | 2,265 | 337,861 | 136,022 |
| Segment result | 9,390 | 5,911 | 2,496 | 2,526 | (310) | 486 | 11,576 | 8,923 |
| Other income | | | | | | | 5,222 | 3,774 |
| Unallocated corporate expenses | | | | | | | (4,081) | (3,499) |
| Profit from operation | | | | | | | 12,717 | 9,198 |
| Finance cost | | | | | | | (2,767) | (1,196) |
| Profit before tax | | | | | | | 9,950 | 8,002 |
| Taxation | | | | | | | (1,902) | (1,670) |
| Profit for the year | | | | | | | 8,048 | 6,332 |

13(b) Geographical segments

| | FY2007 | | FY2006 | |
|--------------|----------------|------------|----------------|------------|
| | S\$'000 | % | S\$'000 | % |
| PRC | 105,724 | 31.3 | 41,973 | 30.9 |
| Singapore | 74,171 | 22.0 | 35,931 | 26.4 |
| Bangladesh | 7,931 | 2.3 | 22,411 | 16.5 |
| India | 31,119 | 9.2 | 16,059 | 11.8 |
| Indonesia | 16,952 | 5.0 | 5,677 | 4.2 |
| Malaysia | 22,261 | 6.6 | 4,433 | 3.3 |
| Japan | 882 | 0.3 | 1,073 | 0.8 |
| Taiwan | 2,854 | 0.8 | 819 | 0.6 |
| Sri Lanka | 8 | 0.0 | 308 | 0.2 |
| Germany | 4,429 | 1.3 | 259 | 0.2 |
| Others (1) | 71,530 | 21.2 | 7,079 | 5.1 |
| Total | 337,861 | 100 | 136,022 | 100 |

Note:

(1) Includes Belgium, Brazil, Brunie, Canada, Egypt, Greece, Hong Kong, Holland, Isreal, Italy, Korea, Kenya, Maldives, Myanmar, Netherland, Nepal, New Zealand, Philippines, Pakistan, Switzerland, Sweden, Turkey, Thailand, UEA, United Kingdom, USA, and Vietnam.

- (2) The Group's assets consist principally of leasehold properties, plants and machineries, which support the entire recycling, trading and other activities. Accordingly, it is not meaningful to allocate fixed assets and related capital expenditure to various business segments. The group's expenses are incurred in Singapore, which mainly consist of depreciation of property, plant and equipment, overheads and salaries.
- (3) The Group operates in Singapore with majority of sales made to overseas countries. Hence, the analysis of geographical segment results is not included herein.

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.

| | <u>Group</u> | | |
|--|----------------|----------------|---------------|
| | FY2007 | FY2006 | Change |
| | S\$'000 | S\$'000 | % |
| (a) Sales reported for first half year | 141,115 | 51,683 | 173 |
| (b) Operating profit after tax before deducting minority interests reported for first half year | 4,398 | 2,230 | 97 |
| (c) Sales reported for second half year | 196,746 | 84,339 | 133 |
| (d) Operating profit after tax before deducting minority interests reported for second half year | 3,650 | 4,102 | (11) |

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

| | Latest Full Year | Previous Full Year |
|------------|-------------------------|---------------------------|
| | S\$'000 | S\$'000 |
| Ordinary | 0 | 2,256 |
| Preference | 0 | 0 |
| Total | 0 | 2,256 |

By Order of the Board

ANG YU SENG
CEO/EXECUTIVE DIRECTOR
21 August 2007