



**UNION STEEL HOLDINGS LIMITED**

Co Reg. No.: 200410181W

**UNAUDITED FINANCIAL STATEMENT FOR THE FIRST HALF YEAR FY2008  
ENDED 31 DECEMBER 2007**

**PART 1 – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF FIRST HALF 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		%
	1H2008 S\$'000	1H2007 S\$'000	Increase/ (Decrease)
Revenue	112,407	141,115	(20)
Cost of sales	<u>(104,483)</u>	<u>(131,407)</u>	(20)
<b>Gross profit</b>	7,924	9,708	(18)
Other operating income	14,647	2,716	439
Distribution cost	(1,288)	(2,142)	(40)
Administrative expenses	(5,688)	(3,785)	50
Finance costs	<u>(1,394)</u>	<u>(1,000)</u>	39
<b>Profit before taxation</b>	14,201	5,497	158
Taxation	(1,041)	(1,099)	(5)
<b>Profit for the year</b>	<u>13,160</u>	<u>4,398</u>	199
Attributable to :			
Shareholders of the Company	13,160	4,398	
Minority interests	<u>0</u>	<u>0</u>	
	<u>13,160</u>	<u>4,398</u>	

	Group	
	1H2008	1H2007
Basic earnings per share (cents) (based on 347,105,250 ordinary shares in issue)	3.79	1.27
Net asset value per ordinary share (cents) (based on issued share capital at the end of the financial period and immediately preceding financial period	17.51	12.53

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

	<b>Group</b>		<b>%</b>
	<b>1H2008</b>	<b>1H2007</b>	<b>Increase/ (Decrease)</b>
	<b>S\$'000</b>	<b>S\$'000</b>	
Allowance for doubtful debts	-	(325)	NM
Depreciation of property, plant and equipment	(1,912)	(1,557)	23
Interest expenses	(1,394)	(1,000)	39
Foreign exchange gain / (loss)	1,300	726	79
Gain on disposal of property, plant and equipment	9,389	100	9,289
Rental income	2,613	1,684	55
Interest income	87	107	(19)

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	
	31- Dec- 07 S\$'000	30- June-07 S\$'000	31-Dec-07 S\$'000	30- June-07 S\$'000
<b>Non-current assets</b>				
Property, plant and equipment	20,036	20,865	270	298
Investments in subsidiaries	-	-	16,506	16,506
Golf club membership	159	159	159	159
Financial assets available for sale	13,201		13,201	
Other investment	15		15	
	<u>33,411</u>	<u>21,024</u>	<u>30,151</u>	<u>16,963</u>
<b>Current assets</b>				
Non-current assets held for sale	-	13,483	-	-
Inventories	48,261	42,601	-	-
Trade receivables	27,521	21,310	-	-
Other receivables and prepayments	1,684	691	421	12,896
Amounts owing by subsidiaries	-	-	1,542	-
Cash and bank balances	36,228	20,163	5,461	5,550
	<u>113,694</u>	<u>84,765</u>	<u>7,424</u>	<u>18,446</u>
<b>Total assets</b>	<u><b>147,105</b></u>	<u><b>119,272</b></u>	<u><b>37,575</b></u>	<u><b>35,409</b></u>
<b>Equity attributable to equity holders of the parent</b>				
Share capital	29,601	29,601	29,601	29,601
Reserves	31,131	17,558	4,952	4,751
	<u>60,732</u>	<u>47,159</u>	<u>34,553</u>	<u>34,352</u>
<b>Minority Interest</b>	45	45	-	-
<b>Total equity</b>	<u>60,777</u>	<u>47,204</u>	<u>34,553</u>	<u>34,352</u>
<b>Non-current liabilities</b>				
Bank loans	3,769	7,639	-	-
Obligations under hire purchase contracts	134	138	134	134
Deferred taxation	943	943	-	-
Deferred gain on sale of properties	10,370	-	-	-
	<u>15,216</u>	<u>8,720</u>	<u>134</u>	<u>134</u>
<b>Current liabilities</b>				
Trade payables	16,077	16,654	209	238
Other payables	5,413	1,753	755	384
Bills payables and bank loans	45,417	42,972	-	94
Obligations under hire purchase contracts	313	179	47	-
Amount owing to subsidiary	-	-	1,700	-
Provision for taxation	1,818	1,790	177	207
Deferred gain on sale of properties	2,074	-	-	-
	<u>71,112</u>	<u>63,348</u>	<u>2,888</u>	<u>923</u>
<b>Total liabilities</b>	<u>86,328</u>	<u>72,068</u>	<u>3,022</u>	<u>1,057</u>
<b>Total equity and liabilities</b>	<u><b>147,105</b></u>	<u><b>119,272</b></u>	<u><b>37,375</b></u>	<u><b>35,409</b></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 31 December 2007		As at 30 June 2007	
S\$'000	S\$'000	S\$'000	S\$'000
Secured	Unsecured	Secured	Unsecured
1,191	44,539	1,721	41,430

**(b) Amount repayable after one year**

As at 31 December 2007		As at 30 June 2007	
S\$'000	S\$'000	S\$'000	S\$'000
Secured	Unsecured	Secured	Unsecured
3,769	134	7,639	138

**(c) Details of any collateral**

The Group's term loans with its bankers are secured by legal mortgage over the properties of its 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 6 months ended	
	31-Dec 07 S\$'000	31-Dec-06 S\$'000
<b>Cash flows from operating activities</b>		
Profit before taxation	14,201	5,497
Adjustments for :		
Depreciation of property, plant and equipment	1,912	1,557
Gain on disposal of property, plant and equipment	(9,389)	(100)
Interest expenses	1,394	1,000
Interest income	(87)	(107)
Changes in fair value of non-hedging currency derivative financial instruments	-	71
	-	-
<b>Operating profit before working capital changes</b>	<b>8,031</b>	<b>7,918</b>
(Increase) / decrease in :		
Inventories	(5,621)	(12,178)
Trade receivables	(6,211)	(17,471)
Other receivables and prepayments	(1,158)	254
Trade payables	(576)	4,179
Other payables	3,659	(6)
<b>Cash used in operating activities</b>	<b>(1,876)</b>	<b>(17,304)</b>
Income tax paid	(850)	(749)
Interest paid	(1,394)	(1,000)
Interest income received	87	107
<b>Net cash used in operating activities</b>	<b>(4,033)</b>	<b>(18,946)</b>
<b>Cash flows from investing activities</b>		
Proceeds from disposal of property, plant and equipment	35,349	(2,285)
Purchase of property, plant and equipment	(1,154)	437
Purchase of other investment	(15)	-
Purchase of financial asset available for sale	(9,317)	-
<b>Net cash generated from/(used in) investing activities</b>	<b>24,863</b>	<b>(1,848)</b>
<b>Cash flows from financing activities</b>		
Additional bank loans	-	3,000
Additional hire purchase contracts	343	-
Increase in bill payables	-	23,674
Payment of bank loans	(1,425)	(2,137)
Repayment of hire purchase contracts	(212)	(577)
Dividends paid	(3,471)	(2,256)
<b>Net cash used in financing activities</b>	<b>(4,765)</b>	<b>21,704</b>
Net increase in cash and cash equivalents	16,065	910
Cash and cash equivalents at beginning of financial period	20,163	12,097
<b>Cash and cash equivalents at end of financial period</b>	<b>36,228</b>	<b>13,007</b>

**Notes to Statement of Cash Flows:**

Cash and cash equivalents comprise:

	Group	
	31- Dec-07	31-Dec-06
	S\$'000	S\$'000
Cash and bank balances	11,960	7,869
Fixed deposits	24,268	5,138
	<u>36,228</u>	<u>13,007</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.**

**Attributable to equity holders of the parent**

Group	Share Capital	Unrealized holding gain	Retained profits	Total	Minority Interest	Total Equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Balance as at 1 July 2006</b>	29,601	-	11,766	41,367	-	41,367
Capital contribution					45	45
Dividends paid	-	-	(2,256)	(2,256)	-	(2,256)
Net profit			4,398	4,398		4,398
<b>Balance as at 31 December 2006</b>	29,601		13,908	43,509	45	43,554
Net Profit	-	-	3,650	3,650	-	3,650
<b>Balance as at 30 June 2007</b>	29,601	-	17,558	47,159	45	47,204
Dividends paid	-	-	(3,471)	(3,471)	-	(3,471)
Unrealized holding gain on financial asset available for sale		3,884		3,884		3,884
Net Profit	-	-	13,160	13,160	-	13,160
<b>Balance as at 31 December 2007</b>	29,601	3,884	27,247	60,732	45	60,777

Company	Share Capital	Unrealized holding gain	Retained Profits	Total Equity
	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 1 July 2006	29,601	-	2,947	32,548
Dividends paid	-	-	(2,256)	(2,256)
Net Profit	-	-	19	19
Balance as at 31 December 2006	29,601	-	710	30,311
Dividend paid	-	-	(3,471)	(3,471)
Unrealized holding gain on financial assets available for sale	-	3,884		3,884
Net Profit	-	-	3,829	3,829
Balance as at 31 December 2007	29,601	3,884	1,068	34,553

- 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 2007.

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	6 Months ended 31 December	
	2007	2006
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 in issue	3.79	1.27
On a fully diluted basis	3.79	1.27
Number of ordinary shares in issue	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 period reported on and (b) immediately preceding financial year.

	Group		Company	
	31-Dec-07	30-June-07	31-Dec-07	30-June-07
Net Asset Value per ordinary share based on issued share capital as at the end of the period reported on	17.51	13.60	10.0	9.9
Number of ordinary shares in issue	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.

#### Review of Profit & Loss Statement

##### Turnover

The Group's turnover for the first half year of FY2008 declined by 20% to \$112 million compared with \$141 million in the previous first half year. The decline in 1H2008 turnover was due to a decline in recycling of non-ferrous metal.

The Group's business is largely international, with Asia being the major market.

S\$'000	1H2008	1H2007	% Growth
Turnover	112,407	141,115	(20)%
Gross Profit	7,924	9,708	(18)%
Net Profit	13,160	4,398	199%
Net margin as % of turnover	11.7%	3.1%	8.6%

##### Gross Profit

The Group's gross profit for 1H2008 was marginally higher at 7.0% compared to 6.9% in 1H2007.

##### Net Profit

The Group's net profit after tax increased significantly to \$13.2 million for 1H2008 from \$4.4 million for 1H2007 despite the marginal decline in turnover and gross profit. The increase was due mainly to an immediate gain of \$9.0 million arising from the excess of fair value over the net book value of four properties sold in a sale and leaseback transaction at the end of November 2007.



**Other Income**

Other income increased significantly to \$14.6 million from \$2.7 million for 1H2007. This was due mainly to the gain of \$9.0 million from the sale of the four properties. It represented the excess of the fair value over the net book value of these properties. It was taken immediately to the income statement in compliance with FRS 17 on Leases. The four properties were sold for an aggregate sum of \$36.8 million of which \$35.0 was received in 1H08 with a retention sum of \$1.8 million to be received upon completion of all documentation. The total gain was \$23.2 million (\$36.8m - \$13.6m), comprising \$9.0 million recognized immediately and a balance of \$14.2 million (\$12.4m + \$1.8m) deferred for amortization over the next 5 years of the 6-year lease term.

**Sale & Leaseback transaction on 30 November 2007:**

Currency	Sale Proceeds received on 30/11/07	FV valuation of properties	NBV of properties as at 30/11/07	Excess of FV over NBV	Deferred Gain recognized as at 30/11/07	Retention sum to be received (additional deferred gain)	Total Sale Price	Total Gain (Sale Price less NBV)
S\$ million	35.0	22.6	13.6	9.0	12.4	1.8	36.8	23.2

**Notes:**

FV = Fair Value Valuation of Properties by Colliers International

NBV = Net Book Value of Properties:

31/33 Pioneer Road North & 119 Neythal Road (previously owned by subsidiary, Union Steel Pte Ltd)

8 Tuas View Square & 30 Tuas South Avenue 8 (previously owned by subsidiary, YLS Steel Pte Ltd)

**Distribution cost**

Distribution cost decreased by 40% to S\$1.3 million for 1H008 from \$2.1 million in 1H2007. This was due mainly to a decline in export of non-ferrous metals.

**Administrative Expenses**

The increase in administrative cost was due mainly to an increase in agency fees on the sale of properties as well as increases in survey fees, utilities expenses, bank charges, insurance and staff cost.

**Finance Cost**

Finance cost increased by 39% to S\$1.4 million as a result of higher utilization of banking facilities.

**Earnings Per Share (EPS)**

The Group's earnings per share increased to 3.79 cents for the first half year of FY2008 after accounting for the gain on sale of the four properties in the Sale & Leaseback transaction. This is an increase of 2.52 cents over the earnings per share of 1.27 cents for the previous first half year of FY2007.

**Review of the Balance Sheet****Net Asset Value**

The net asset value of the Group increased to \$17.5 cents as at 31 December 2007 from 13.6 cents as at 30 June 2007. This was due mainly to the \$9.0 million immediate gain on the sale of the four properties in the Sale & Leaseback transaction in November 2007 and an unrealized holding gain of \$3.9 million as at 31 December 2007 that has arisen from marking to market the Group's investment in the shares of PT ATPK Resources in compliance with FRS39.

**Property, Plant & Equipment**

Property, plant and equipment decreased by 4% to S\$20.0 million as at 31 December 2007 from \$20.9 million as at 30 June 2007 due mainly to the sale of four properties in the sale and leaseback transaction.

**Cash Flow and Bank Borrowings**

Net cash used in operations for the first six months of FY2008 was \$4.0 million, down from \$18.9 million for the same period last year. Total borrowings at 31 December 2007 were \$49.6 million compared with \$50.9 million at 30 June 2007.

In 1H2008, net cash generated from investing activities was \$24.9 million, including proceeds from the sale of properties of \$35.0 million and cost of investment in PT ATPK Resources of \$9.3 million. The payment of dividends and the repayment of bank loans and hire purchase contracts accounted for the net cash used in financing activities of \$4.8 million. The overall result is a net increase in cash and cash equivalents of \$16.1 million.

The Group ended 1H2008 with a cash balance of approximately \$36.2 million compared with \$20.2 million as at 30 June 2007.

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 had a good year in FY2007. It experienced continued growth in demand for recycled non-ferrous metals and rode on a strengthening Asian economy.

We believe there is a growing need for recycled metals due to higher demand for metals arising from increased activities in construction and infrastructure in Singapore and the rest of Asia. This is despite an imminent recession in the USA.

Since FY2007, we have expanded our market outreach beyond Asia to Germany. We intend to strengthen our market presence in Asia by seeking new business opportunities and probable mergers and acquisitions that will add synergy to our existing core businesses.

The Group expects to remain profitable for the whole year of FY2008.

11. **Dividend**

***(a) Current Financial Period Reported On***

Any dividend declared for the current financial year reported on?

None

***(b) Corresponding Period of the Immediately Preceding Financial Year***

Any dividend declared for the corresponding year of the immediately preceding financial year? None

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

**PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT**

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

- 13 (a) 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

- 13(b) Geographical segments**

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 2007 to be false or misleading.

**By Order of the Board**

ANG YU SENG  
CEO/Executive Chairman/Executive Director

ANG YEW LAI  
Executive Director

12 February 2008