



UNION STEEL HOLDINGS LIMITED
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For Immediate Release

Union Steel's 1H FY11 net profit up 4X to S\$7.3 million

Y/E 30 Jun (S\$ million)	1HFY11	1HFY10	YOY % Chg
Revenue	61.3	66.2	(7.4)
Cost of sales	54.8	61.5	(10.9)
Gross Profit/Loss	6.5	4.7	37.7
Gross Margin	10.6%	7.1%	3.5pp
Pretax Profit/Loss	7.4	2.1	255.8
Net Profit/ Loss	7.3	1.8	305.4
Earnings Per Share (cents)*	2.08	0.51	
Fully Diluted Earnings Per Share (cents)*	2.05	0.51	
Net Asset Value per Share (cents)	18.83	16.18	

+ Based on weighted average number of 351,499,582 ordinary shares in issue for the financial period ended 31 December 2010 (31 December 2009: 351,478,000).

* Based on adjusted weighted average number of 356,501,278 ordinary shares in issue for the financial period ended 31 December 2010 (31 December 2009: 353,678,000).

11 February 2011 – SGX-ST Mainboard-listed **Union Steel Holdings Limited**, 友联钢铁控股有限公司 (“Union Steel”), one of the largest metal recycling companies in Singapore is pleased to report a net profit of S\$7.3 million for 1HFY11, a 4X increase over the same period last year.

1HFY11 revenue fell 7.4% to S\$61.3 million from lower demand for metals. Gross profit rose from S\$4.7 million to S\$6.5 million, or 37.7% as a result of higher margin product mix and improved selling prices. Gross profit margin improved 3.5 percentage points to 10.6%.

Operating profit was up 207.8% to S\$7.9 million in 1HFY2011, due mainly to gains from disposal of property, lower foreign exchanges losses and the reversal of allowance for impairment of inventories. Consequently, net profit leapt from S\$1.8 million to S\$7.3 million, or up 305.4% in 1HFY11.

The Group's net operating cashflow improved S\$11.0 million to S\$10.2 million due to a sharp reduction in inventories as compared to a year ago; net cash generated from investing activities was S\$6.9 million for 1HFY2011 mainly due to the disposal of a

property.

As a result, cash and cash equivalents for the period ended 31 December 2010 was S\$28.5 million as compared to S\$20.1 million. Total bank borrowings fell from S\$46.6 million as at 30 June 2010 to S\$38.8 million as at 31 December 2010. Gross gearing was 0.6X. Shareholders' fund increased to S\$66.2 million on higher earnings. Net Asset Value per share was 18.8 cents.

Outlook

The environment that we operate in remains challenging; volatile international metals' prices resulting from weak US dollar and the recent flood in Queensland, as well as, moderating global economic outlook have added some uncertainty.

In Singapore, local construction demand is expected to grow on the back of the government's continued investments in public infrastructure projects as well as the buoyant office and retail sectors. However, intense competition is expected among local steel stockists and this will put pressure on margins.

“Although metal demand has improved and prices have been trending upwards, we expect keen competition in our steel trading business. We will seize opportunities to preserve our profitability. We believe this is achievable by managing our inventory prudently and improving our productivity. Meanwhile, we will also seek out opportunities to expand our business.”

- Mr. Ang Yu Seng (洪友成), Executive Chairman and Chief Executive Officer

About Union Steel Holdings Limited (Bloomberg: USH SP)

Founded in 1984 and listed on SGX-ST Mainboard in August 2005, Union Steel Holdings Limited is a one-stop supply centre for recycled metals. The Group is principally engaged in the recycling of ferrous and non-ferrous scrap metals, the trading of steel products and the provision of other services, comprising waste collection and management, demolition works, rental of steel plates and car scrapping. The Group believes that it is currently one of the largest metals recycling companies in Singapore in terms of volume of metals recycled.

The Group serves a wide customer base of over 500 customers, spanning across countries such as China, India, Indonesia, Japan, Malaysia and Singapore. The Group intends to seek expansion opportunities within both its existing and potential markets via possible acquisitions and joint ventures. For more information, please log on to www.unionsteel.com.sg

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