



UNION STEEL HOLDINGS LIMITED
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For Immediate Release

Union Steel's 9M FY11 net profit up more than 3-fold to S\$9.6 million

Y/E 30 June (S\$ million)	3QFY11	3QFY10	YOY % Chg	9MFY11	9MFY10	YOY % Chg
Revenue	21.8	32.8	(33.6)	83.1	99.1	(16.1)
Cost of sales	(18.0)	(29.4)	(38.6)	(72.9)	(91.0)	(19.8)
Gross Profit	3.7	3.3	10.3	10.2	8.1	26.3
Gross Margin	16.9%	10.2%	6.7pp	12.3%	8.2%	4.1pp
Pretax Profit	2.3	1.0	123.9	9.6	3.1	212.4
Attributable Net Profit	2.3	1.0	127.5	9.6	2.8	241.3
Earnings Per Share+ (cents)				2.74	0.80	
Fully Diluted Earnings Per Share* (cents)				2.73	0.80	
Net Asset Value Per Share (cents)				19.48	16.47	

+ Based on weighted average number of 351,576,258 ordinary shares in issue for the financial period ended 31 March 2011 (31 Mar 2010: 351,478,000).

* Based on adjusted weighted average number of 352,428,061 ordinary shares in issue for the financial period ended 31 March 2011 (31 Mar 2010: 354,030,000).

12 May 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 local metal recycling companies, has reported a more than 3-fold increase in net profit for the nine months ended 31 March 2011 (9MFY11).

9MFY11 Performance

Group revenue declined 16.1% to S\$83.1 million on the back of lower export sales. Despite the uncertainty in the global steel market and volatile prices, the Group managed to achieve an improvement in gross margins due to its vigilant and astute management of inventory. Gross profit increased 26.3% to S\$10.2 million while gross margins improved by 4.1 percentage points to 12.3%. Operating profit surged 173.2% to S\$10.4 million mainly due to gains from disposal of property. Consequently, net profit improved from S\$2.8 million to S\$9.6 million, or 241.3%.

3Q FY11 Performance

Group revenue for 3QFY11 declined 33.6% to S\$21.8 million from lower export sales. Amidst a challenging operating environment, the Group continued to focus on improving profitability and astute management of inventory. This resulted in a significant 6.7 percentage point improvement in gross margin in 3QFY11; gross profit increased 10.3% to S\$3.7 million. Operating profit doubled from S\$1.2 million to S\$2.5 million as the Group kept a tight rein on costs. Net profit increased 127.5% to S\$2.3 million as compared to S\$1.0 million previously.

Cash Flow

For the nine months ended 31 March 2011, the Group's operating cashflow soared from S\$2.9 million to S\$15.8 million largely due to a reduction in inventories and higher pre-tax profits. Net cash of S\$6.9 million was generated from investing activities mainly due to gain from the disposal of property. Net cash used in financing activities increased from S\$8.8 million to S\$13.6 million from repayment of bank loans and bills payable. Consequently, cash and cash equivalents for the period ended 31 March 2011 was S\$26.3 million, an improvement of S\$5.8 million from a year ago.

Financial Position

Union Steel's financial position remains healthy. Total borrowings decreased from S\$46.6 million to S\$32.0 million, resulting in a gross gearing of 0.5X. Equity attributable to shareholders increased from S\$59.1 million to S\$68.5 million for the period ended 31 March 2011 due to the improvement in earnings. Net asset value per shares was 19.48 cents as at 31 March 2011.

Outlook

Global demand for steel is expected to continue to grow at a more moderate pace in 2011, supported mainly by demand from China and India. Long term, global steel demand could rise further from the reconstruction efforts in Japan, following the earthquake and tsunami in March 2011. However prices are also expected to stay volatile given the weakening US dollar and anaemic economic growth in the developed economies. At the same time, competition remains very keen on both the global and local front, adding further uncertainty to our operating environment.

Amidst these challenges, the Group will continue to employ a margin-centric strategy that seeks to enhance its competitiveness and preserve profitability. It will continue to place emphasis on managing its inventory prudently as well as improving its operational productivity. It is also seeking out opportunities to grow its business further.

About Union Steel Holdings Limited

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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