



# UNION STEEL HOLDINGS LIMITED

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## MEDIA RELEASE

### Union Steel's FY2011 profit surged 148% to S\$10 million

- declares dividend of 0.3 cents per share -

Y/E 30 June (S\$ million)	4QFY11	4QFY10	YOY % Chg	FY11	FY10	YOY % Chg
Revenue	18.9	31.0	(39.2)	102.0	130.1	(21.6)
Gross Profit	3.0	3.1	(5.1)	13.2	11.2	17.6
Gross Margin	15.7%	10.1%	5.6pp	12.9%	8.6%	4.3pp
Pretax Profit	1.9	0.9	102.9	11.5	4.0	186.8
Attributable Net Profit	0.4	1.2	(68.1)	10.0	4.0	148.0
Earnings Per Share+ (cents)				2.78	1.15	141.7
Fully Diluted Earnings Per Share* (cents)				2.78	1.14	143.9
Net Asset Value Per Share (cents)				18.7	16.8	11.3

+ Based on weighted average number of 361,094,145 ordinary shares in issue for the financial period ended 30 June 2011 (30 Jun 2010: 351,477,883).

\* Based on adjusted weighted average number of 361,094,145 ordinary shares in issue for the financial period ended 30 Jun 2011 (30 Jun 2010: 354,079,720).

**18 August 2011** – SGX-ST Mainboard listed **Union Steel Holdings Limited**, 友联钢铁控股有限公司 (“Union Steel” or “the Group”), one of the largest local metal recycling companies, has reported a 148.0% increase in net profit to S\$10.0 million for the full year ended 30 June 2011 (FY2011). In view of the strong performance this year, the Board is recommending a final dividend of 0.3 cents per share (FY2010: nil).

### FY11 Performance

Group revenue declined 21.6% from \$130.1 million to \$102.0 million on the back of lower export sales. Gross margin improved by 4.3 percentage points to 12.9%. This was attributed to tighter inventory cost control, higher margin product mix and higher selling prices. Consequently, gross profit rose 17.6% to \$13.2 million, from \$11.2 million in FY2010. Operating profit surged 145.6% to \$12.5 million mainly due to gains on disposal of property, lower distribution and marketing costs and a sharp reduction in other operating expenses; other operating expenses reduced 30.7% to \$5.9 million due to the absence of impairment of inventories and goodwill. As a result, net profit for the current financial year surged 148.0% to \$10.0 million.

## **4QFY11 Performance**

For the three months ended 30 June 2011 (4QFY11), Group revenue fell 39.2% to \$18.9 million, due to lower export sales. Gross profit margin increased 5.6 percentage points to 15.7% due to tighter inventory cost control, higher margin product mix as well as higher selling prices. Gross profit for the quarter was \$3.0 million. Operating profit improved 63.1% to \$2.1 million, due mainly to sharply lower distribution and marketing expenses, in tandem with lower export sales, and lower operating expenses. Pretax profit rose 102.9% to \$1.9 million. Higher taxes however resulted in a net profit of \$0.4 million, down from \$1.2 million a year ago.

## **Cash Flow**

The Group generated an operating cashflow of \$33.5 million in the current financial year as compared to net cash used of \$7.2 million for operations last year. This was attributed to the reduction in inventory levels, of which a portion was reclassified into property, plant and equipment, and gains from sale of property. Net cash of \$9.4 million was used in investing activities, mainly due to the reclassification of inventories to property, plant and equipment. Net cash used in financing activities was \$12.2 million as compared to a net cash of \$1.8 million generated from financing activities last year. This was mainly due to repayment of bank loans.

## **Financial Position**

Union Steel's financial position remains healthy. Cash and cash equivalents as at 30 June 2011 were \$30.2 million while total borrowings were reduced from \$46.6 million to \$29.3 million; gross gearing as at end FY2011 was 0.4X. Shareholders' equity grew from \$59.1 million to \$73.5 million primarily as a result of the higher earnings. Net asset value per share as at 30 June 2011 was 18.7 cents. (FY2010: 16.8 cents)

## **Outlook**

The global economic outlook is currently weighed down by sovereign debt issues in the Eurozone and the downgrade of US credit rating. The steel market expects steel prices to remain volatile and higher raw material costs. In view of these uncertainties, the Group expects keener competition and an increase in pricing pressures for its recycling business going forward. Its trading business will also continue to face intense competition and margins pressures.

Due to the capricious nature of its metal trading business, the group is actively seeking out new strategic businesses to propel the Group to the next stage of growth. It intends to acquire new businesses that can provide a more stable income stream, enlarge the Group's products and services and help it to penetrate into new markets. In line with this strategic intent, the Group has recently proposed in July 2011, the acquisition of Hock Ann Metal Scaffolding Pte Ltd ("Hock Ann"). Hock Ann is a profitable scaffolding provider to the local construction industry.

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**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, sheet piles and beams. 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 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](http://www.unionsteel.com.sg)

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