



**UNION STEEL HOLDINGS LIMITED**  
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**For Immediate Release**

## **Union Steel's Revenue Increases by 38.0% for 2QFY2009**

- Quick actions taken by Management mitigated drop in gross profit margin to 6.0%
- Recorded a net loss of \$9.86 million mainly due to impairment losses from weak economic conditions and plunge in metal prices

	<b>6 Months Ended 31 December 2008</b>		
	<b>2QFY09 (S\$'000)</b>	<b>2QFY08 (S\$'000)</b>	<b>Change</b>
<b>Revenue</b>	155,132	112,407	38.0%
<b>Cost of sales</b>	(146,617)	(103,351)	41.9%
<b>Gross Profit</b>	8,515	9,056	(6.0)%
<b>Gross profit margin</b>	5.49%	8.06%	(2.57)ppt
<b>Profit before tax</b>	(9,697)	14,201	(168.3)%
<b>Net profit</b>	(9,864)	13,160	(175.0)%
<b>EPS* (cents)</b>	(3.10)	3.79	(6.89)cts

*\*Based on profit attributable to shareholders of S\$(9,864,000) (31 December 2007: S\$14,201,000) over adjusted weighted average number of 317,767,730 ordinary shares (31 December 2007: 347,105,250) in issue for the financial period ended 31 December 2008.*

**13 February 2009** – 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, recorded revenue of S\$155.1million and gross profit of S\$8.5million for the financial period 6 months ended 31 December 2008 (1HFY09). Compared to the preceding financial year (1HFY08), revenue increased by 38.0% while gross profit decreased by a mere 6.0%. The Group, however, registered a 175.0% fall in profit after tax, resulting in a net loss S\$9.86 million for 1HFY09 compared to a net profit of S\$13.16 million in 1HFY08.

Metal prices climbed steadily in the earlier part of 2008 and peaked in September 2008, only to plunge in the last quarter of 2008. This has caused gross profit to decrease to S\$8.5 million compared to S\$9.1million in 1HFY08. With continued uncertainty in the global markets and volatility in metal prices, the Group has made provision for impairment of inventories, as well as the Group's quoted shares investment in Indonesia. Total impairment was S\$11.1 million, without which the Group would have made a net profit of S\$1.23 million for 1HFY09. Other operating income decreased due to foreign exchange loss and lower extraordinary gain.

In response to changing market conditions in 1QFY09, the Management took swift actions to reduce inventories which improved liquidity and mitigated the drop in gross profit margin to a modest 2.57 percentage point in 1HFY09 as compared to the previous year. Reduction in inventories and trade and other receivables, contributed a \$16.5 million net cash generated from operations for 1HFY09 as compared to an S\$4.0 million net cash used in 1HFY08. Total borrowing decreased 20% to S\$43.2 million as at 31 December 2008 compared to S\$54.0 million as at 30 June 2008.

Challenging market conditions following the double blow from the global economic crisis and credit crunch have led many to adopt a conservative, wait-and-see attitude. Demand for metals is still relatively slow while metal prices are beginning to show signs of stabilising after the precipitous drop in the last quarter of 2008.

“The market outlook remains very uncertain and no one knows how bad this recession is or when it will end. Going forward, Union Steel will continue to watch the market vigilantly and respond speedily to market conditions.” said Mr Ang Yu Seng (洪友成), Chief Executive Officer.

## **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](http://www.unionsteel.com.sg)

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