



# UNION STEEL HOLDINGS LIMITED

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## MEDIA RELEASE

- Union Steel's 4Q net profit doubled to S\$0.9 million**  
**- proposes first and final dividend per share of 0.25 cents -**

| (S\$ million)                           | 4QFY12 | 4QFY11 | YOY<br>% Chg | FY12   | FY11   | YOY<br>% Chg |
|---|--------|--------|--------------|--------|--------|--------------|
| Revenue                                 | 24.5   | 18.9   | 29.6         | 85.1   | 102.0  | (16.6)       |
| Cost of sales                           | (21.8) | (15.9) | 36.9         | (76.6) | (88.8) | (13.8)       |
| Gross Profit                            | 2.7    | 3.0    | (9.0)        | 8.5    | 13.2   | (35.5)       |
| Gross Margin                            | 11.0%  | 15.7%  | -4.7 pps     | 10.0%  | 12.9%  | - 2.9 pps    |
| Profit Before Tax                       | 2.9    | 1.9    | 50.2         | 5.8    | 11.5   | (49.8)       |
| Profit After Tax                        | 1.2    | 0.4    | 207.5        | 4.1    | 10.0   | (59.5)       |
| Non-controlling Interest                | (0.3)  | -      | n.m          | (0.3)  | -      | n.m          |
| Net Profit Attributable to Shareholders | 0.9    | 0.4    | 124.9        | 3.7    | 10.0   | (62.7)       |
| Earnings Per Share (cents)              |        |        |              | 1.0    | 2.8    |              |
| Net Asset Value Per Share (cents)       |        |        |              | 19.30  | 18.65  |              |

**21 August 2012** – 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 29.6% increase in revenue to S\$24.5 million for the three months ended 30 June 2012 (4QFY12). Net profit attributable to shareholders more than doubled from S\$0.4 million to S\$0.9 million.

For the full year ended 30 June 2012, the Group reported revenue of S\$85.1 million and net profit attributable to shareholders of S\$3.7 million. The Board of Directors has recommended a one-tier tax-exempt dividend of 0.25 cents per share (FY11: 0.30 cents per share)

### 4QFY12 Performance

The 29.6% rise in revenue to S\$24.5 million was mainly due to higher sales to the domestic market as well as maiden contributions from its 60% stake in new subsidiary, Hock Ann Metal Scaffolding Pte Ltd. However, due to a lower margin product mix and lower selling prices, gross profit edged down 9.0% from S\$3.0 million to \$2.7 million.

Other operating income increased 50.2% from S\$2.6 million to S\$3.9 million due to gains in disposal of fixed assets and available for sale financial assets. With lower export sales, distribution and marketing expenses decreased 18.3% to S\$94,000. As the Group continues to streamline its operations, administrative costs, also decreased by 36.1% to S\$1.9 million on lower manpower costs. Other operating expenses however rose from S\$0.3 million to

S\$1.5 million due to the reclassification of property-related expenses to administrative expenses in 4QFY11.

Pre-tax profit increased 50.2% from S\$1.9 million to S\$2.9 million. Taxation rate was higher in the period; the Income tax of \$1.7 million mainly due to provision for deferred tax liability. This represents substantially the tax effect of the excess of the Group's carrying amount over tax written down value of property, plant and equipment as at 30 June 2012 and 2011.

## **FY12 Performance**

Group revenue declined 16.6% to S\$85.1 million, mainly on the back of lower export sales. Gross profit declined 35.5% from S\$13.2 million to S\$8.5 million on the back of a lower-margin product mix and lower selling prices. Profit before tax however declined by a larger 49.8%, mainly due to lower sales, lower gains on the sale of property, plant and equipment and the absence of reversal of impairment of stocks in the current period.

## **Cash Flow**

For the full year ended 30 June 2012, net cash used in operations was \$2.6 million, due mainly to lower profits, an increase in trade and other receivables and the reduction in trade and other payables. Net cash used in investing activities was \$17.1 million, due mainly to the acquisition of the 60% stake in Hock Ann Metal Scaffolding Pte Ltd. Net cash generated from financing activities was \$12.8 million due mainly to the net increase in bank borrowings. Consequently, cash and cash equivalents balance decreased by S\$6.9 million, from S\$30.2 million from the beginning of the year to S\$23.3 million presently.

## **Financial Position**

Total borrowings increased from S\$29.3 million to S\$44.1 million, resulting in a net gearing of 0.5 times. Shareholders' equity rose from \$73.5 million to S\$85.6 million for the financial year and Net Asset Value per share was 19.3 cents.

## **Outlook**

Persistent weakness in the global economy and the slowing Chinese economy will create further uncertainty in the global demand for metals. Expectations of central bank stimulus measures to arrest the slide in economic output, as well as uncertain foreign exchange markets, will also add to the volatility to metal prices. These will continue to weigh on the Group's export sales. While it is increasing its trading activity in the domestic market, the Group also face intense competition and pressure on margins.

***“Operationally we continue to do our best to maintain a cost efficient and flexible organisation. Financially, we will be prudent in managing our working capital and ensure that we have a healthy balance sheet. However, organic growth will be difficult to achieve in view of the challenging external environment. We have to diversify beyond our core business to create long term sustainability for the Group. Our investment in Hock Ann Metal Scaffolding has been value accretive to the Group and we continue to seek more of such business opportunities.”***

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

**About Union Steel Holdings Limited ([www.unionsteel.com.sg](http://www.unionsteel.com.sg))**

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. In 2012, the Group acquired a 60% stake in Hock Ann Metal Scaffolding Pte Ltd., an established scaffolding provider to the local construction industry.

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.

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