



UNION STEEL HOLDINGS LIMITED
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MEDIA RELEASE

Union Steel Reports 3Q2013 Net Profit of \$1.5 million

Y/E 30 June (S\$ million)	3Q2013	3Q2012	YOY % Chg	9M2013	9M2012	YOY % Chg
Revenue	23.7	26.3	(9.9)	65.1	60.6	7.5
Cost of sales	(20.6)	(24.3)	(15.0)	(55.9)	(54.8)	2.1
Gross Profit	3.1	2.0	51.2	9.2	5.8	58.8
Gross Margin	12.9	7.7	5.2pp	14.1	9.6	4.5pp
Pretax Profit	1.8	1.9	(7.7)	4.3	2.9	47.6
Net Profit	1.5	1.9	(23.2)	3.5	2.9	22.5
Attributable Net Profit	1.3	1.9	(31.7)	2.5	2.9	(11.9)
Earnings Per Share** (cents)				0.64	0.73	
Net Asset Value Per Share* (cents)				19.69	19.08	

*Based on 393,781,089 ordinary shares in issue for the financial period ended 31 Mar 2013 (31 Mar 2012: 393,781,089).

**Based on profit attributable to shareholders.

13 May 2013 – 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 metal recycling companies in Singapore, has reported net profit of \$1.5 million on revenue of \$23.7 million for the three months ended 31 March 2013 (“3Q2013”). This compares with \$1.9 million net profit and revenue of \$26.3 million in the corresponding quarter of 2012 with lower other income.

3Q 2013 Performance

The Group’s recycling and scaffolding services segments continued to perform well, with scaffolding services contributing \$2.2 million in revenue for the quarter. Together with better margins from the recycling business, this resulted in an increase in gross profit margin from 7.7% in 3Q2012 to 12.9% in 3Q2013. Gross profit for the quarter was \$3.1 million, a 51.2% increase from \$2.0 million in 3Q2012 mainly due to contribution from the scaffolding services business segment.

Profit from operations declined 7.7% to \$1.9 million in 3Q2013 mainly due to higher distribution & marketing and administrative expenses, as a result of the Group’s addition of

the scaffolding services business segment during the course of FY2013. Net profit for 3Q2013 declined 23.2% to \$1.5 million from \$1.9 million in 3Q2012 due to reduced other income and higher income tax provisions.

9M 2013 Performance

For the nine months ended 31 March 2013 ("9M2013"), Group revenue rose 7.5% to \$65.1 million due to contributions from the scaffolding services business segment, as well as an increase in the recycling business segment, but partially offset by lower trading activities. Cost of sales increased 2.1% to \$55.9 million in 9M2013, but being outpaced by revenue growth, this resulted in a 58.8% increase in gross profit from \$5.8 million in 9M2012 to \$9.2 million in 9M2013.

Group operating expenses increased in line with the addition of the scaffolding services segment as well as increased business activities and export sales. Operating profit was \$4.9 million, 42.1% higher than in 9M2012. Net profit for the period was \$3.5 million, an increase of 22.5% from \$2.9 million in the previous corresponding period due to higher income tax provisions in FY2013. Net profit margin improved from 4.7% in 9M2012 to 5.4% for 9M2013.

Cash Flows

The Group generated a robust cash flow of \$6.3 million from operations for 9M2013, compared to an outflow of \$11.9 million in 9M2012. This was mainly due to improved financial performance, better working capital management, and improved collections from credit customers. Net cash used in investing activities was \$0.5 million, mainly for the purchase of materials for scaffolding rental. Net cash used in financing activities was \$3.5 million, mainly due to the principal repayment of bank loans, increases in bills payable for stocks, and finance leases for fixed asset purchases.

The Group's cash position saw a marginal increase from the previous quarter ended 31 December 2012, and currently stands at \$25.6 million.

Financial Position

Union Steel's financial position has strengthened further, with shareholders equity standing at \$88.1 million as at 31 March 2013, compared to \$85.6 million at 30 June 2012. The increase was mainly due to improved financial performance in 9M2013, higher cash reserves, higher inventories and lower liabilities. The Group's efforts in tightening credit controls resulted in a reduction of trade and other receivables from \$15.2 million to \$11.4 million. Total liabilities were reduced from \$57.0 million to \$51.7 million mainly due to the repayment of term loans. Net gearing remains low at 0.20.

Outlook

The Group continues to face headwinds from the global and local economic environment. Whilst growth in Asia continues to be supported by resilient demand for infrastructure and construction, the outlook for global growth remains subdued. Steel prices continue to face downward pressure due to excess of supply over demand, and heightened competition. In

Singapore, foreign labour restrictions and higher associated costs will continue to affect the Group's operations.

The Group remains cautious on the business outlook and continues to explore options for growth within and beyond its core businesses. On 9 April 2013, the Group completed the acquisition of the second tranche of ordinary shares in Hock Ann Metal Scaffolding Pte. Ltd. ("Hock Ann"), representing a further 20% equity stake. Union Steel now owns 80% of Hock Ann and expects to acquire the remaining tranche of 20% in FY2014.

"In the face of a challenging operating environment, we are cautious on our business outlook and explore growth plans to strengthen our businesses. We will also continue to evaluate strategic options that can complement and grow our existing businesses."

- **Mr. Ang Yu Seng (洪友成), Executive Chairman and 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 believes that it is currently one of the largest metals recycling companies in Singapore in terms of volume of metals recycled. The Group is principally engaged in (i) the recycling of ferrous and non-ferrous scrap metals, (ii) the trading of steel products and non-ferrous metal products, (iii) the rental of sheet piles, steel plates and beams and (iv) the provision of scaffolding materials and services, and related consultancy services.

The Group delivers high quality products and reliable customer service to a global network that spans over hundreds of suppliers and customers, in countries such as Korea, India, Pakistan, Malaysia, Singapore and the United Arab Emirates. It 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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