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MEDIA RELEASE

Union Steel 1Q2014 revenue grows, profit declines due to expansion costs

Y/E 30 June (S$ million)	1Q2014	1Q2013	*YOY % Chg*
Revenue	24.1	18.7	*28.9*
Cost of sales	(22.0)	(16.4)	*33.8*
Gross Profit	2.1	2.3	*(6.6)*
Gross Margin	8.8%	12.2%	*-3.4pps*
Profit Before Tax	0.2	0.7	*(66.8)*
Net Profit	0.2	0.7	*(66.3)*
Attributable Net Profit	0.1	0.4	*(84.0)*
Earnings Per Share (cents)*	0.02	0.11	
Net Asset Value Per Share (cents)^	21.29	19.41	

+ Based on weighted average number of 393,781,089 ordinary shares in issue for the financial period ended 30 Sep 2011 (30 Sep 2010: 351,499,582).

13 November 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 a net profit of $0.2 million for the first three months ended 30 September 2013 (1Q2014), compared to $0.7 million in 1Q2013, despite a 28.9% growth in revenue to $24.1 million. Net profit was affected by costs relating to the establishment of a new business entity in Malaysia, following the Group's agreement to acquire assets from a leading metal recycling company in Malaysia, which was announced in June 2013.

1Q2014 Performance

Revenue increased by $5.4 million to $24.1 million for 1Q2014, mainly due to higher revenue from the Group's trading and recycling business segments. In line with the increased business volume and the new business addition in Malaysia, cost of sales also increased by $5.6 million to $22.0 million, as the Group incurred expenses for initial infrastructure in order to build the business momentum for the Malaysian entity.

Gross profit margins decreased from 12.2% in 1Q2013 to 8.8%, due to continued pressure on steel prices which affected the trading and recycling business segments, and this margin level was also consistent with our business nature. Gross profit was 6.6% lower at $2.1 million for 1Q2014.

Other income increased 15.8% to $2.3 million as the Group recorded higher rental income and higher interest income in 1Q2014. Administrative expenses increased from $1.8 million to $2.1 million due to increased payroll expenses and infrastructure costs to support business expansion plans for the Group's Malaysian entity.

As a result of lower gross profit and higher operating costs relating to the expansion and development of the new Malaysian business, net profit decreased from $653,000 in 1Q2013 to $220,000 in 1Q2014.

Financial Position

The Group's current assets increased from $87.8 million as at 30 June 2013 to $94.8 million as at 30 September 2013. This was mainly due to higher inventories and trade receivables. Inventories increased by $9.3 million to $52.4 million as the Group built its stockpile for the new Malaysian entity, and also replenished stock for all its business segments in Singapore. Trade and other receivables increased from $16.5 million to $18.0 million in line with increased revenue. The Group observed an improvement in its average receivables collection period, which was reduced to 65 days compared to 70 days in the previous corresponding period.

Non-current assets declined marginally due to disposal of fixed assets, and depreciation charges on property, plant and equipment.

Total liabilities increased from $64.7 million to $70.4 million as at 30 September 2013 due to higher utilisation of short term loans for working capital, and increased trade bills payable for purchase of inventory.

The Group has a cash balance of $24.3 million, with net gearing of 0.40 times. Shareholders' equity increased marginally from $89.5 million at 30 June 2013 to $89.7 million. NAV per share was 21.29 cents as at 30 September 2013.

Cash Flow

Net cash flow used in operations was $11.3 million, mainly due to a $9.3 million increase in stock levels as the Group built inventories and placed deposits for its newly established metal recycling business in Malaysia. Net cash used in investing activities was $263,000 on increased purchase of steel and scaffolding materials as well as initial capital injection for the Malaysian subsidiary. Net cash used in financing activities was $7.6 million, mainly due to increased short term loans for working capital requirements of the expansion, and increased bills payable for inventory purchases.

Outlook

The Group anticipates a continued squeeze on margins due to tepid global growth and weakness in steel prices. The Group will continue to exercise vigilance in managing its working capital, and aims to be flexible and nimble in order to meet customer needs in this challenging environment. Separately, the Group also continues to explore acquisition opportunities and other external avenues to grow its revenue streams.

"Aside from focusing on our core competencies, we are also exploring opportunities for acquisitions, which will chart Union's future growth strategies. Similarly, we continue to exercise vigilance in our working capital management including improving our work processes to lessen the impact of rising operating costs."

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

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About Union Steel Holdings Limited (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.

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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