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MEDIA RELEASE

Union Steel reports \$1.1 million net profit for 3Q2014

Y/E 30 June (S\$ million)	3Q2014	3Q2013	YOY % Chg	9M2014	9M2013	YOY % Chg
Revenue	37.7	23.7	59.1	101.3	65.1	55.5
Cost of sales	(34.5)	(20.6)	66.9	(91.1)	(55.9)	62.8
Gross Profit	3.3	3.1	6.5	10.2	9.2	11.1
Gross Margin	8.6	12.9	(4.3pp)	10.1	14.1	(4.0pp)
Pretax Profit	0.9	1.8	(50.2)	3.2	4.3	(27.2)
Net Profit	1.1	1.5	(26.7)	2.8	3.5	(19.1)
Attributable Net Profit	1.0	1.3	(20.3)	2.4	2.5	(3.5)
Earnings Per Share [^] (cents)				0.62	0.64	
Net Asset Value Per Share* (cents)				21.69	21.27	

[^] Based on profit attributable to shareholders

*Based on 393,781,089 ordinary shares in issue for the financial period ended 31 Mar 2014 (31 Mar 2013: 393,781,089).

8 May 2014 – 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 59.1% growth in revenue, reaching \$37.7 million for the three months ended 31 March 2014 (“3Q2014”), compared to \$23.7 million in 3Q 2013. Net profit declined from \$1.5 million to \$1.1 million in 3Q 2014.

3Q2014 Performance

Group revenue increased by approximately \$14.0 million mainly due to strong contributions from the Group’s recently established Malaysian entity, as well as increased revenue from the domestic recycling and trading business segments. Cost of sales increased in line with the increase in revenue streams, although the increase was outpaced by higher material costs, and selling prices were lower for the trading business segment. Consequently, gross profit improved by \$0.2 million to \$3.3 million, with a decline in gross profit margin from 12.9% in 3Q2013 to 8.6% in 3Q2014.

Other income was \$0.8 million lower mainly due to the absence of rental income in FY2014 for properties sold under the sales and leaseback arrangements. Distribution expenses and administrative expenses increased in line with the increase in business activities, both in Singapore and in Malaysia. During the quarter, the Group recorded a tax credit as a result of tax refunded from the Inland Revenue Authority of Singapore.

In view of the above factors, net profit decreased from \$1.5 million in 3Q2013 to \$1.1 million in 3Q2014.

9M2014 Performance

For the nine months ended 31 March 2014 ("9M2014"), Group revenue rose 55.5% to \$101.3 million on the back of increased revenue from the trading and recycling business segments, and contributions from the Malaysian entity. Gross profit margin, however, declined from 14.1% in 9M2013 to 10.1% in 9M2014 as the Group continued to face strong competition within the steel industry. Gross profit rose 11.1% to \$10.2 million for 9M2014. Administrative expenses increased by 28.2% to \$7.5 million, mainly due to the business activity of the Group's Malaysian entity. Net profit for the period was \$2.8 million, a decline of 19.1% from \$3.5 million in 9M2013.

Cash Flows

Net cash generated from operating activities for 9M2014 was \$5.2 million, mainly due to profitable operations from the metal recycling and scaffolding business segments. Net cash used in investing activities was \$4.1 million, mainly for the purchase of steel and scaffolding materials, partially offset by proceeds from the disposal of property, plant and equipment. Net cash generated from financing activities was \$2.2 million mainly from the utilisation of short term loans for working capital requirements.

In view of the above, the Group's cash and cash equivalents increased by \$3.4 million to \$31.6 million as at 31 March 2014.

Financial Position

The Group's financial position remains healthy with \$91.5 million shareholders' equity as at 31 March 2014, an improvement from \$89.5 million as at 30 June 2013, mainly due to the financial performance for 9M2014. Net asset value per share was 21.69 cents as at 31 March 2014 (31 March 2013: 21.27 cents). Net gearing was 0.59 times.

Outlook

The Group recently entered into an agreement to acquire properties and machinery in Malaysia, which will enable the Group to develop its presence in Malaysia for exporting and supplying recycled metals from Singapore, as well as providing opportunities to tap into the scrap metal market in Malaysia. In April 2014, the Group also completed the acquisition of the third and final tranche of ordinary shares in Hock Ann Metal Scaffolding Pte. Ltd. (“Hock Ann”), thus making Hock Ann a wholly-owned subsidiary.

The Group remains cautious on the overall business outlook and expects steel prices to remain sluggish amid weak market demand.

“I am pleased that we have made good progress on the acquisition of assets in Malaysia. The assets and customer base there will strengthen our presence in the region, particularly for our recycling business. This is in line with our overall strategy and it underscores our desire to continue building the business, be it through organic growth or through acquisitions.”

- **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 Singapore, Malaysia, India, Indonesia, Vietnam, China, Korea and Bangladesh. 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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