



MEDIA RELEASE

Union Steel reports FY2014 net profit of \$4.5 million, maintains dividend of 0.25 cents per share

Y/E 30 June (S\$ million)	4Q2014	4Q2013	YOY % Chg	FY2014	FY2013	YOY % Chg
Revenue	44.3	25.8	71.5	145.6	91.0	60.1
Cost of sales	(38.8)	(20.3)	91.4	(129.9)	(76.2)	70.4
Gross Profit	5.5	5.6	(0.9)	15.7	14.8	6.6
Gross Margin	12.5%	21.6%	-9.1ppts	10.8%	16.2%	-5.4ppts
Profit Before Tax	3.0	5.4	(44.2)	6.2	9.7	(36.6)
Net Profit	2.1	4.2	(50.3)	4.9	7.7	(36.0)
Attributable Net Profit	2.1	3.8	(45.4)	4.5	6.3	(28.6)
Earnings Per Share (cents)*				1.14	1.60	
Net Asset Value Per Share (cents)^				22.87	21.27	

*Based on 393,781,089 ordinary shares in issue for the financial period ended 30 June 2014 (30 June 2013: 393,781,089).

^Based on profit attributable to shareholders.

21 August 2014 – SGX-ST Mainboard listed **Union Steel Holdings Limited**, 友联钢铁控股有限公司 (“Union Steel”), one of the largest metal recycling companies in Singapore, has reported net profit of \$4.5 million for the full year ended 30 June 2014 (“FY2014”). For the three month period ended 30 June 2014 (“4Q2014”), net profit was \$2.1 million. The Group’s net profit decreased compared to the previous financial year due to compression of margins and higher costs, mainly resulting from the start-up of operations in Malaysia. Nonetheless, contributions from the Malaysia entity contributed to strong revenue growth; revenue increased by 71.5% for 4Q2014, and by 60.1% for the full year. The Board of Directors has recommended a one-tier tax-exempt dividend of 0.25 cents per share (FY2013: 0.25 cents per share).

4Q2014 Performance

Revenue grew 71.5% from \$25.8 million in 4Q2013 to \$44.3 million in 4Q2014, mainly due to contributions from the Malaysia entity established in the early part of FY2014, and increased revenue from the Group’s recycling and trading business segments. Gross profit, however, declined by 0.9% to \$5.5 million in 4Q2014, mainly due to lower selling prices and higher cost of sales for the trading business segment.

Other income decreased by \$0.7 million to \$4.0 million due to absence of rental income in FY2014, though this was partially offset by gains from disposal of fixed assets and a fair value gain in investment property. Distribution expenses and administrative expenses increased in line with the increase in the Group's business activities, particularly in Malaysia. In view of these factors, net profit decreased from \$4.2 million in 4Q2013 to \$2.1 million in 4Q2014.

FY2014 Performance

Revenue increased by \$54.6 million to S\$145.6 million on higher revenues from the Group's trading and recycling business segments, and contributions from the newly-established Malaysia entity. Gross profit margins declined from 16.2% in FY2013 to 10.8% in FY2014 due to strong competition within the steel industry. Gross profit increased 6.6% to \$15.7 million, but net profit attributable to shareholders decreased from \$6.3 million in FY2013 to \$4.5 million in FY2014.

Financial Position

Shareholders' equity increased by \$0.6 million to \$90.1 million as at 30 June 2014. This was mainly due to an increase in cash reserves, trade and other receivables, and investment property value, offset by an increase in bank loans and bills payable, which was due to higher utilisation of short term loans and trade financing facilities for working capital. Net asset value per share was 22.87 cents as at 30 June 2014.

Cash Flow

The Group's cash and cash equivalents rose to \$33.7 million as at 30 June 2014 from \$28.2 million as at 30 June 2013. Net cash generated from operating activities was \$2.4 million for FY2014 mainly due to profitable operations in the metal recycling and scaffolding segments. Net cash used in investing activities was \$8.5 million, mainly due to purchases of steel and scaffolding materials, and the acquisition of the final 20% stake in Hock Ann Metal Scaffolding Pte Ltd, partially offset by proceeds from disposal of property, plant and equipment. Net cash generated from financing activities was \$11.6 million, mainly due to the utilisation of short term loans and trade receipts to fund working capital requirements.

Outlook

The Group expects the overall industry outlook to be challenging with steel prices remaining sluggish amid weak market demand. The Group will continue to exercise prudence and seek to grow organically and through strategic acquisitions.

In April 2014, the Group announced that it had entered into an asset acquisition agreement for assets in Malaysia. The acquisition process is still ongoing and subject to the fulfilment of certain conditions.

"In FY2014 we made a venture into Malaysia as we saw the opportunity to expand our operating base by acquiring strategic assets. However, it is a challenging market with high costs and intense competition. We continue to monitor the developments closely, and will strive to achieve the desired results from our Malaysian operations in due course."

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

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 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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