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MEDIA RELEASE

Union Steel reports strong net profit growth in 1Q 2018

Y/E 30 June (S\$ million)	1Q 2018	1Q 2017	Y-o-Y % Chg	4Q 2017	Q-o-Q % Chg
Revenue	19.64	23.04	-14.8	16.96	15.8
Gross Profit	3.68	3.45	6.9	2.42	51.9
Gross Margin	18.8%	15.0%	+3.8ppts	14.3%	+4.5ppts
Profit Before Tax	0.26	0.03	911.5	0.01	3,187.5
Net Profit[#]	0.22	0.04	471.8	0.46	-51.6
Attributable Net Profit/(Loss)	0.24	0.04	510.3	0.45	-47.2
Earnings Per Share (cents)*^	0.60	0.10	500.0	1.15	-47.8
Net Asset Value Per Share (cents)	167.5	163.5	4.0	166.9	0.6

**Based on weighted average number of shares of 39,378,100*

^Based on profit attributable to shareholders

Net profit in 4Q 2017 includes an income tax credit of \$453,000

8 November 2017 – 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, today reported a net profit of \$0.24 million for the three months ended 30 September 2017 (“1Q 2018”) as compared to a net profit of \$0.04 million for the three months ended 30 September 2016 (“1Q 2017”), mainly due to an improvement in gross profit margin and reduction in distribution and marketing expenses, administrative expenses and finance costs.

Megafab provides maiden revenue contribution in 1Q 2018

The Group’s revenue decreased by 14.8% from \$23.0 million in 1Q 2017 to \$19.6 million in 1Q 2018 mainly due to lower contribution from its steel trading business in Singapore, offset by higher revenue from Transvictory and a maiden revenue contribution of S\$2.0 million from Megafab Engineering Pte Ltd, which was acquired in November 2016.

Despite the decrease in the Group’s revenue, the Group’s gross profit increased by 6.9% from \$3.5 million in 1Q 2017 to \$3.7 million in 1Q 2018 due to the improvement in profitability that was driven by contributions from the engineering and scaffolding services segments. The Group’s gross profit margin was 18.8% in 1Q 2018, which represented a 3.8 percentage point increase from the previous financial period.

Profit before tax posted strong growth in 1Q 2018 due to the reduction in distribution and marketing expenses, administrative expenses and finance costs, offset by a lower contribution from other operating income.

On a quarter-on-quarter (Q-o-Q) basis, net profit for 1Q 2018 declined by 51.6% from 4Q 2017 due to an income tax credit of \$0.5 million in 4Q 2017. Excluding the income tax credit, net profit would have increased from \$0.01 million in 4Q 2017 to \$0.22 million in 1Q 2018 due to contribution from Transvictory and Megafab.

Cash Flows

The Group generated net cash inflow from operating activities in 1Q 2018 of \$4.8 million compared to an outflow of \$7.3 million in 1Q 2017. In the absence of new acquisitions, the Group's free cash flow (defined as operating cash flow less capital expenditure) turned positive at \$4.6 million in 1Q 2018.

Financial Position

The Group's cash and cash equivalents decreased marginally by S\$1.1 million compared to 30 June 2017, due principally to the repayment of bank loans, and offset by the receipt from customer. The net gearing of the Group (defined as the ratio of the aggregate of interest bearing loans net of cash and cash equivalents to total equity) decreased to 30.1% as at 30 September 2017 from 37.2% as at 30 June 2017 with the repayment of bank loans.

Outlook

The demand for Asian Steel is stable as demand growth in South Asia and Southeast Asia is healthy. However, due to intense industry competition and an uncertain geopolitical environment, the trading of steel will continue to be volatile. The Group will continue to mitigate these business risks and navigate cautiously.

In the meantime, the Singapore government has increased its spending on infrastructure this year and next year (extracted from Ministry of National Development Newsroom). In the private sector, there is a heightened activity in the collective sale tenders in the real estate market. These factors could provide support to the local civil construction & engineering sectors. As the Group is a diversified company with complementary businesses in scaffolding, civil construction and engineering work, land transport engineering solutions and crane services, it will work on leveraging the operational synergies between its subsidiaries to explore business opportunities in these sectors. The Group will also continue to make inroads into the regional markets to expand its geographical footprint.

About Union Steel Holdings Limited (www.unionsteel.com.sg)

Founded in 1984, Union Steel Holdings Limited ("Union Steel" or the "Group") started operations as YLS Steel Pte Ltd which was involved in the trading of ferrous and non-ferrous scrap metal. Union Steel Holdings Limited was listed on the SGX-ST Mainboard on 15 August 2005.

With almost 30 years of experience, Union Steel has established itself as a leading player in the metals and scrap industry in Singapore. The Group operates one-stop supply centres for the collection and recycling of ferrous and non-ferrous scrap metals and the trading of steel and non-ferrous metal products. 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 India, Bangladesh, Indonesia, Korea, Malaysia, Singapore, Japan, and China. The Group continuously seeks to grow its business by widening its global network of supply sources and customers, and expanding its range of products and services through potential acquisitions and joint venture opportunities.

Today, the Group is engaged in related businesses which comprise; (i) recycling of ferrous and non-ferrous scrap metal; (ii) trading of steel products and non-ferrous metal products; (iii) rental of sheet piles, steel plates, test piles and beams; (iv) leasing of industrial properties; (v) provision of scaffolding services and related consultancy services; (vi) civil construction and engineering work, and the manufacture of motor vehicle bodies (coachwork), trailers and semi-trailers ("Gee Sheng"); (vii) marine equipment makers, which provide products and engineering services to the marine sector ("Transvictory"); (viii) land transport engineering solutions, providing a comprehensive range of equipment and components for load handling, including truck-mounted cranes, tailgate, rubbish compactor, and the sole distributor for EFFER, ZEPRO and GEESINKNORBA ("Megafab"); and (ix) crane services (loading and unloading of cargo) and other specialized construction and related activities ("MegaCrane").

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