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MEDIA RELEASE

Union Steel reports 53.7% top-line growth for 1H2014

Y/E 30 June (S\$ million)	2Q 2014	2Q 2013	YOY % Chg	HY2014	HY2013	YOY % Chg
Revenue	39.6	22.7	74.2	63.7	41.4	53.7
Cost of sales	(34.7)	(18.8)	84.3	(56.7)	(35.3)	60.8
Gross Profit	4.8	3.9	25.1	7.0	6.1	13.3
Gross Margin	12.2%	17.0%	-4.8ppts	10.9%	14.8%	-3.9 ppts
Profit Before Tax	2.0	1.8	10.2	2.3	2.6	(11.8)
Net Profit	1.5	1.4	10.3	1.7	2.0	(14.3)
Attributable Net Profit	1.3	0.8	68.2	1.4	1.2	13.9
Earnings Per Share (cents)*				0.35	0.31	

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

13 February 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 revenue of \$63.7 million for the six month period ended 31 December 2013 (“1H2014”), compared to \$41.4 million in HY2013. Net profit attributable to equity holders for the period was \$1.3 million, a 13.9% increase from HY2013.

2Q 2014 Performance

Revenue for the quarter was \$39.6 million, a 74.2% increase from \$22.7 million in 2Q 2013. This was mainly due to increased revenue from recycling and trading business segments, including contributions from the newly established recycling entity in Malaysia. Gross profit margins, however, were affected by lower selling prices as a result of intense competition, declining from 17.0% to 12.2%. Hence, gross profit rose 25.1% from \$3.9 million to \$4.8 million. Administrative expenses increased from \$2.1 million to \$2.9 million mainly due to increased payroll expenses, and infrastructure costs to support the development of the new business in Malaysia. Net profit increased from \$1.4 million in 2Q 2013 to \$1.5 million in 2Q 2014.

1H2014 Performance

On the back of strong revenue growth in HY2014, revenue for 1H2014 was \$63.7 million, compared to \$41.4 million in HY2013. Cost of sales increased by 60.8% to \$21.4 million

mainly due to higher cost of materials. Gross profit increased to \$7.0 million, with gross profit margins declining from 14.8% in HY2013 to 10.9% in HY2014 due to competitive pressures. Distribution and marketing expenses increased by \$0.1 million in line with increased business activities, and administrative expenses increased by \$1.1 million on higher payroll expenses and infrastructure costs for the recently established Malaysian entity. Consequently, operating profit and pre-tax profit declined 6.3% and 11.8% respectively, and net profit declined 14.3% from \$2.0 million to \$1.8 million.

Cash Flows

The Group used \$3.5 million in net cash for operating activities for HY2014, as compared to \$1.3 million net cash generated in HY2013. This was due to lower trade receivables, slower collection patterns from the scaffolding services, trading and leasing business segments, and building of stockpiles in Malaysia in line with expansion plans. Taking advantage of current market conditions, the Group added to its stockpiles of steel and scaffolding rental materials. This contributed to the \$3.3 million net cash used in investing activities. Net cash generated from financing activities was \$7.1 million on higher utilisation of short term loans for working capital requirements, and higher bills payable for the increased purchases of inventory. Cash and cash equivalents was \$28.5 million as at 31 December 2013.

Financial Position

The Group's current assets increased by \$5.4 million on higher receivables and inventories, and current liabilities also increased by \$4.7 million mainly due to higher term loans used for working capital requirements. Net gearing was 0.35 times as the Group builds the infrastructure for its business in Malaysia.

Shareholders' equity stood at \$90.2 million and Net Asset Value per share was 21.37 cents (30 Jun 2013: 21.27 cents).

Outlook

The Group expects that steel prices will continue to be depressed as a result of the excess stock in the market, coupled with a low growth business environment. Locally, operating conditions will continue to be challenging as a result of higher labour costs. The Group continues to emphasise its core competencies with prudent management of working capital.

"We have seen increasing pricing pressure as a result of fierce competition, and this has squeezed our margins on both the prices of materials sold and the scrap we buy, which has impacted our bottom line. Nonetheless, we continue to focus on organic growth and tap on complementary businesses through acquisitions and forging alliances."

- **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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