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MEDIA RELEASE

Union Steel incurs $6.7m net loss due to cessation of Malaysian operations

Y/E 30 June (S$ million)	Q3FY2016	Q3FY2015	*YOY % Chg*	9MFY2016	9MFY2015	*YOY % Chg*
Revenue	**18.6**	31.0	***(40)***	**64.8**	105.9	***(39)***
Cost of sales	**(16.5)**	(28.9)	***(43)***	**(56.4)**	(96.7)	***(42)***
Gross Profit	**2.1**	2.1	***3***	**8.4**	9.2	***(9)***
Gross Margin	**11.3%**	6.6%	***+4.7ppts***	**12.9%**	8.7%	***+4.2ppts***
Other Operating Expenses	**(6.3)**	(1.0)	***521***	**(8.3)**	(3.0)	***173***
Pre-tax Profit/(Loss)	**(6.5)**	(0.7)	***889***	**(6.7)**	1.1	***NM***
Net Profit/(Loss)	**(6.7)**	(0.7)	***905***	**(7.0)**	0.8	***NM***
Earnings/(Loss) Per Share* (cents)				**(17.77)**	2.15	

**Based on 39,378,100 ordinary shares in issue for the financial period ended 31 March 2016 (31 Mar 2015: adjusted to reflect the 10-to-1 share consolidation effective 24 Nov 2015).*

11 May 2016 – 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 loss of $6.7 million for the three months ended 31 March 2016 ("Q3FY2016"), with revenue declining 40% to $18.6 million. The large net loss was mainly due to other operating expenses, resulting from the cessation of the Group's operations in Malaysia in January 2016.

Q3FY2016 Performance

Group revenue decreased from $31.0 million in Q3FY2015 to $18.6 million in Q3FY2016, mainly due to lower contributions from the recycling and trading businesses in Singapore, and the absence of contributions from operations in Malaysia since January 2016. However, gross profit saw a marginal increase, with gross profit margins improving from 6.6% in Q3FY2015 to 11.3% in Q3FY2016. This was mainly due to the write-back of inventory allowance, and higher profit margins commanded by both the Group's scaffolding services and its recently acquired subsidiary, Gee Sheng Machinery & Engineering Pte Ltd ("GSME").

Other operating expenses increased 521%, of which $5.02 million related to expenses incurred for the cessation of operations in Malaysia, consisting of allowances for doubtful receivables, write-offs of inventory, property, plant and equipment, deposit forfeited, and others.

The Group incurred $0.2 million income tax payable for Q3FY2016 resulting from the under provision of tax payable in the previous year, and the loss of investments in a subsidiary not being tax deductible.

Cash Flows

Net cash generated from operating activities for 9MFY2016 was $12.2 million, mainly due to realisation of inventory, and improved collections from customers. Net cash used in investing activities was $7.6 million, with a significant component being the cash consideration for the acquisition of GSME. Net cash used in financing activities was $7.6 million, with $5.4 million proceeds in bank loans offsetting $12.9 million in loan repayments. Although there was a net decrease in cash and cash equivalents from $31.2 million to $28.3 million, the Group's net gearing[1] improved from 22.9% as at 30 June 2015 to 18.6% as at 31 March 2016, due to the repayment of bank loans.

Financial Position

Current assets decreased by $20.7 million, mainly due to a $12.1 million reduction in inventories due to lower purchases towards the end of Q3FY2016, and inventory written off in Malaysia, and a $5.8 million decrease in trade and other payables due to improvements in payment to suppliers and lower levels of purchasing.

The Group's total bank loans and bills payable decreased by $7.5 million mainly due to a reduction in trade financing towards the end of Q3FY2016.

Outlook

The overall steel industry outlook remains challenging, with steel prices continuing to be volatile and demand weak. The Group aims to continue streamlining its business operations, inventory level, and accelerate debt collection. The Group is also evaluating strategic partnerships to grow the business for GSME.

"As long as the operating environment remains challenging for our core steel-related business, we will have to mitigate the negative effects on the Group by making the most of other avenues and opportunities.

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

[1] Net gearing is defined as the ratio of the aggregate of interest bearing loans net of cash and cash equivalents to total equity

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. Today, the Group consists of five subsidiary companies engaged in (i) recycling of ferrous and non-ferrous scrap metal; (ii) trading of steel products and non-ferrous metal products; (iii) rental of sheet piles, test piles and beams; (iv) leasing of industrial properties; and (v) provision of scaffolding services and related consultancy services.

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. The Group further seeks potential acquisitions and joint venture opportunities for strategic expansion.

Union Steel Holdings Limited was listed on the SGX-ST Mainboard on 15 August 2005.

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