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MEDIA RELEASE

Union Steel reports small net profit for Q2FY2016 amid tough conditions

Y/E 30 June (S$ million)	**Q2FY2016**	Q2FY2015	*YOY % Chg*	**H1FY2016**	H1FY2015	*YOY % Chg*
Revenue	**22.9**	31.7	*(28)*	**46.2**	74.9	*(38)*
Cost of sales	**(19.5)**	(28.4)	*(31)*	**(39.9)**	(67.7)	*(41)*
Gross Profit	**3.4**	3.3	*2*	**6.3**	7.2	*(13)*
Gross Margin	**14.8%**	10.4%	*+4.4 ppts*	**13.6%**	9.6%	*+4.0 ppts*
Profit Before Tax	**0.13**	0.78	*(83)*	**(0.1)**	1.8	*NM*
Net Profit	**0.05**	0.71	*(92)*	**(0.3)**	1.5	*NM*
Attributable Net Profit	**0.05**	0.71	*(92)*	**(0.3)**	1.5	*NM*
Earnings Per Share (cents)*				**(0.67)**	3.86	
Net Asset Value Per Share (cents)*				**204.7**	230.2	

**Based on 39,378,100 ordinary shares in issue for the financial period ended 31 Dec 2015 (31 Dec 2014: adjusted to reflect the 10-to-1 share consolidation effective 24 Nov 2015).*

12 February 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, reported a net profit of $54K for the three months ended 31 December 2015 ("Q2FY2016"). The Group continues to face tough operating conditions, as seen in the 28% fall in revenue from $31.7 million in Q2FY2015 to $22.9 million in Q2FY2016.

Q2FY2016 Performance

The Group's recycling and trading business segments contributed lower revenue in this quarter, although the decrease was partially offset by a maiden contribution from the new subsidiary, Gee Sheng Machinery & Engineering Pte Ltd ("GSME"), which was acquired on 31 August 2015. Additionally, the higher margins from GSME, along with a write-back of inventory allowances, contributed to an increase in overall gross profit margins. Consequently, the Group's gross profit saw a marginal increase to $3.4 million. However, administrative expenses increased from $2.4 million in Q2FY2015 to $3.3 million in Q2FY2016 due to the consolidation of GSME's administrative costs. This was a significant factor in the 92% decrease in net profit from $705K in Q2FY2015 to $54K in Q2FY2016.

H1FY2016 Performance

For the six months ended 31 December 2015 ("H1FY2016"), the Group recorded a net loss of $263K on revenue of $46.2 million, which was a 38% decrease compared to H1FY2015's revenue of $74.9 million. This decrease was mainly attributable to the Group's recycling and trading business segments, and reduced business activities in Malaysia. Gross profit margins, however, were boosted by the factors outlined in Q2FY2016 above, as well as a reduction in cost of materials.

Cash Flows

Net cash generated from operating activities for H1FY2016 was $6.4 million, lower than the $11.1 million in H1FY2015 mainly due to extended credit terms for customers. Net cash used in investing activities was $6.9 million, mainly relating to the costs of acquiring GSME. Net cash used in financing activities amounted to $4.9 million, as the Group drew down $5.4 million for the acquisition but also repaid $10.3 million in short-term bank loans. Consequently, cash and cash equivalents declined from $31.2 million as at 30 June 2015 to $26.3 million as at 31 Dec 2015.

Financial Position

The Group's trade and other receivables and goodwill both increased due to the consolidation of GSME's financial position. Inventories decreased by $5.5 million as fewer purchases were made towards the end of Q2FY2016.

The repayment of borrowings resulted in a $4.9 million net decrease in total bank loans and bills payable. Net gearing held constant at 22.9%.

Outlook

The outlook for the steel industry remains challenging, and the Group faces pressure from three factors; (i) global steel production shrinking by the most in six years, (ii) fluctuation of steel prices, driven by oversupply and weak global demand, and (iii) fierce competition from other steel players in the region.

The Group has and will continue to take steps to streamline its business operations, improve inventory management, and diversify its business segments in order to reduce the impact of fluctuations in the steel market.

"The Group faces a number of negative forces which are affecting our steel-related businesses. We have to be prudent in managing our resources and processes in these challenging times."

- **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, 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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