



UNION STEEL HOLDINGS LIMITED

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MEDIA RELEASE

Union Steel reports net loss for 4Q and FY 2015 amid highly challenging market conditions

Y/E 30 June (S\$ million)	4Q 2015	4Q 2014	YOY % Chg	FY 2015	FY 2014	YOY % Chg
Revenue	27.8	44.3	(37.2)	133.7	145.6	(8.2)
Cost of sales	(26.1)	(38.8)	(32.6)	(122.8)	(129.9)	(5.5)
Gross Profit	1.7	5.5	(69.2)	10.9	15.7	(30.7)
Gross Margin	6.1%	12.5%	-6.4ppts	8.2%	10.8%	-2.6ppts
Profit/(Loss) Before Tax	(9.6)	3.0	NM	(8.5)	6.2	NM
Net Profit/(Loss)	(8.4)	2.1	NM	(7.5)	4.9	NM
Attributable Net Profit/(Loss)	(8.4)	2.1	NM	(7.5)	4.5	NM
Earnings Per Share (cents)*^				(1.92)	1.14	
Net Asset Value Per Share (cents)				20.69	22.87	

*Based on 393,781,089 ordinary shares in issue for the financial period ended 30 June 2015 (30 June 2014: 393,781,089).

^Based on profit attributable to shareholders.

26 August 2015 – 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 a net loss of \$8.4 million for the three months ended 30 June 2015 (“4Q2015”), dragging down its bottom line for the full year 2015 to a net loss of \$7.5 million. The 4Q2015 loss was mainly due to a sharp fall in revenue as well as a \$6.7 million impairment of inventory.

4Q2015 Performance

Revenue fell by 37.2% to \$27.8 million, mainly due to decreased revenue from the recycling and trading business segments, and reduced sales activities from the Group’s Malaysian entity. Gross profit was 69.2% lower at \$1.7 million, with lower gross profit margins mainly attributable to lower selling prices and higher cost of sales in the recycling and trading business segments.

The Group recorded other operating expenses of \$9.8 million, compared to \$2.4 million in 4Q2014, mainly due to a \$6.7 million impairment of inventory arising from the depressed metal price environment, as well as a \$0.9 million write-down of the value of an investment property.

FY2015 Performance

Revenue decreased 8.2% from \$145.6 million to \$133.7 million, mainly dragged down by the fall in revenue in 4Q 2015. Gross profit declined from \$15.7 million to \$10.9 million due to the fall in revenue as well as margin compression owing to strong competition within the steel industry. Other income decreased from \$10.2 million in FY2014 to \$7.0 million in FY2015 mainly due to the absence of rental income from properties sold under sale and leaseback agreements.

Cash Flows

Net cash generated from operating activities during FY2015 was \$17.2 million, mainly due to reduced inventory levels and improved collection of receivables. Net cash used in investing activities was \$5.3 million, mainly for the purchase of equipment, steel, and scaffolding rental materials, partially offset by proceeds from disposal of property, plant and equipment. Net cash used in financing activities was \$14.5 million due to repayment of bank loans and bills payable. As a result, the Group's cash and cash equivalents stood at \$31.3 million as at 30 June 2015, a decrease of \$2.5 million.

Financial Position

Group shareholders' equity decreased by \$8.6 million over FY2015, standing at \$81.5 million as at 30 June 2015. Inventories decreased by \$13.6 million due to the aforementioned write-down, as well as a reduction in holding stocks. Trade and other receivables were \$6.3 million lower due to the implementation of tighter credit controls. These factors resulted in a \$22.3 million decrease in current assets. However, this was partially offset by a \$14.1 million reduction in liabilities, mainly attributable to the repayment of bank loans and bills payable.

Outlook

The Group will maintain its prudent approach in the face of a lacklustre steel market which shows no signs of abating. In line with its plans to diversify and expand into complementary business areas, the Group recently acquire an 85.2% stake in Gee Sheng Machinery & Engineering Pte Ltd ("Gee Sheng"), which carries out civil construction & engineering work and the manufacture of motor vehicle bodies (coachwork), trailers and semi-trailers.

"Across the board, the steel industry has been affected by adverse market conditions. We shall attempt to weather these extremely challenging times as best as we can, and smoothly integrate our recent Gee Sheng acquisition with our current operations so that the synergies within the Group can be harnessed effectively.

- 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 nonferrous scrap metal; (ii) trading of steel and stainless steel products; (iii) rental of sheet piles, steel plates and beams and (iv) scaffolding services.

With over 25 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 stainless steel products. The Group has received several awards including the Enterprise 50 Award in 2003 and 2004, Fastest Growing 50 Certification and was ranked among the top small and medium enterprises in the annual Singapore 500 Small Medium Enterprises in 2004. It was awarded Singapore 1000 - Sales Turnover Growth Excellence Award in 2009 and achieved the Singapore International 100 Company status in 2010.

The Group delivers high quality products and reliable customer service to a global network that spans over hundreds of suppliers and customers in Asia, Indian-Subcontinent and Middle East. 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 into metals-related businesses.

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

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