



UNION STEEL HOLDINGS LIMITED
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MEDIA RELEASE

Union Steel's recent acquisitions contribute to 2Q2017 net profit of \$0.6 million

Y/E 30 June (S\$ million)	2Q2017	2Q2016	YOY % Chg	1H2017	1H2016	YOY % Chg
Revenue	23.5	22.9	3	46.5	46.2	1
Cost of sales	(19.3)	(19.5)	(1)	(38.9)	(39.9)	(3)
Gross Profit	4.2	3.4	26	7.7	6.3	23
Gross Margin	18.1%	14.8%	+3.3 pts	16.5%	13.6%	+2.9 pts
Profit/(Loss) Before Tax	0.71	0.13	427	0.7	(0.1)	NM
Net Profit/(Loss)	0.59	0.05	994	0.6	(0.3)	NM
Attributable Net Profit/(Loss)	0.48	0.11	360	0.5	(0.3)	NM
Earnings Per Share (cents)*				1.3	(0.67)	
Net Asset Value Per Share (cents)*				164.7	204.7	

*Based on 39,378,100 ordinary shares in issue for the financial period ended 31 Dec 2016 (31 Dec 2015: 39,378,100 shares).

25 January 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, reported a net profit of \$0.5 million attributable to shareholders for the second quarter ended 31 December 2016 (“2Q 2017”). Union Steel had made a number of acquisitions in recent months, namely a group of companies providing offshore & marine products and services (Transvictory), and more recently, a 70% stake in a company specialising in land transport engineering services (Megafab). Contributions from these acquisitions resulted in an improved financial performance in this quarter.

2Q 2017 and 1H 2017 Performance

Group revenue increased by approximately 3% from 2Q 2016 to 2Q 2017, and by 1% from 1H 2016 to 1H 2017, mainly due to the maiden revenue contribution from Transvictory offsetting lower contributions from the Group's engineering and trading businesses, and the absence of revenue from ceased operations in Malaysia. Gross profit increased due to a boost in margins, as Transvictory and Megafab's respective businesses command higher profit margins.

The Group's administrative expenses increased due to the consolidation of the acquired business's expenses.

Cash Flows and Gearing

Net cash generated from operating activities for 2Q 2017 was \$6.8 million, although for 1H 2017 there was a net cash usage of \$0.6 million due to significant purchases of inventory in the first quarter. Net cash used in investment activities was \$1.9 million in 2Q 2017 and \$16.3 million for 1H 2017, the latter mainly due to acquisition costs. Net cash generated from financing activities in 1H 2017 was \$10.2 million due to net drawing down of loans, and net cash used in 2Q 2017 was \$7.0 million due to net repayment of loans.

Following the acquisitions, the Group had cash and cash equivalents of \$22.3 million as at 31 Dec 2016, compared to \$28.3 million as at 30 June 2016. Over the same period, net gearing increased from to 41.0% from 15.6% due to higher bank borrowings.

Outlook

The outlook for the steel industry remains challenging and demand is expected to remain soft in the next few quarters. The Group's focus is on moving up the supply chain and fully integrating its recent acquisitions.

“The pieces of our acquisition strategy are coming together, and our aim now is to harness synergies between the different businesses. The latest acquisition of Megafab has equipped us with land transport engineering and crane lifting solutions. Combined with the capabilities of our other subsidiaries, we are now positioned to explore new regional opportunities in the industrial and offshore & marine sectors.”

- 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) provision of scaffolding services and related consultancy services; (v) leasing of industrial properties; (vi) civil construction and engineering, and the manufacture of motor vehicle bodies, trailers and semi-trailers; (vii) products and engineering services for the offshore & marine industry; and (viii) land transport engineering solutions.

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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