



**UNION STEEL HOLDINGS LIMITED**  
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## MEDIA RELEASE

### Union Steel achieves turnaround in FY 2017

Y/E 30 June (S\$ million)	4Q 2017	4Q 2016	YOY % Chg	FY 2017	FY 2016	YOY % Chg
<b>Revenue</b>	17.0	21.7	(21.9)	78.6	86.5	(9.1)
<b>Gross Profit</b>	2.4	0.9	167.1	13.9	9.3	49.9
<b>Gross Margin</b>	14.3%	4.2%	+10.1ppts	17.7%	10.7%	+7.0 ppts
<b>Profit/(Loss) Before Tax</b>	0.0	(10.4)	NM	1.3	(17.0)	NM
<b>Net Profit/(Loss)</b>	0.5	(9.7)	NM	1.6	(16.7)	NM
<b>Attributable Net Profit/(Loss)</b>	0.5	(9.7)	NM	1.4	(16.7)	NM
<b>Earnings Per Share (cents)*^</b>				3.58	(42.4)	NM
<b>Net Asset Value Per Share (cents)</b>				166.9	163.4	2.1

\*Based on weighted average number of shares of 39,378,100

^Based on profit attributable to shareholders

**28 August 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, today reported a net profit for the fourth consecutive quarter. Net profit for the three months ended 30 June 2017 (“4Q 2017”) was \$0.5 million compared to a net loss of \$9.7 million for the three months ended 30 June 2016 (“4Q 2016”). For the full financial year (“FY 2017”), Union Steel recorded a net profit of \$1.4 million, mainly due to a significant contribution from new acquired companies such as Transvictory Group and Megafab. This was a significant turnaround from a net loss of \$16.7 million in the financial year ended 30 June 2016 (FY 2016).

#### Engineering services continue to boost profitability in 4Q 2017

The Group’s revenue decreased from \$21.7 million in 4Q2016 to \$17.0 million in 4Q2017, bringing the full year revenue in FY 2017 to \$78.6 million. This represents an 9.1% decline from \$86.5 million in FY2016. The decline in revenue was mainly due to lower contributions from the Group’s metal recycling and trading businesses. However, the fall in the Group’s revenue was partially offset by the maiden revenue contribution of \$5.2 million from Transvictory and Megafab, which were acquired during the first half of FY 2017.

Gross profit increased by 167.1% from \$0.9 million in 4Q 2016 to \$2.4 million in 4Q 2017 and by 49.9% from \$9.3 million in FY 2016 to \$13.9 million in FY 2017. Gross profit margin was 14.3% in 4Q 2017 and 17.7% in FY 2017, a marked improvement from 4.2% and 10.7% recorded in 4Q 2016 and FY 2016, respectively. The improvement in profitability was driven by contributions from the engineering and scaffolding services, which commanded higher profit margins relative to the Group's metal recycling and trading business segments.

The Group's engineering division comprises several business units acquired over the last 24 months, including Transvictory and Megafab, which are engaged in the provision of marine products and engineering services, land transport engineering services, and crane services, among others.

### **Cash Flows**

The Group's net cash generated from operating activities in FY 2017 was lower at \$0.2 million compared to \$15.6 million in FY2016. This was mainly due to the increase in inventories after the consolidation of Transvictory and Megafab. Net cash used in investing activities of \$13.8 million in FY 2017 was mainly for the acquisition of the companies mentioned above. As a result, the Group's free cash flow (defined as operating cash flow less capital expenditure) turned negative in FY 2017. In relation to the acquisitions, there was an increase in borrowings during the financial year.

### **Financial Position**

The Group's cash balance decreased by \$7.4 million to \$20.9 million as at 30 June 2017, mainly due to the acquisition of Transvictory and Megafab, repayment of bank loans, and increase in inventory level of scrap metal. Net gearing increased to 37.2% as at 30 June 2017 from 15.9% as at 30 June 2016 as acquisition-related borrowings increased during the year, offset by the repayment of other bank loans.

### **Outlook**

The outlook for the steel industry remains challenging given the volatility of steel's prices and weak demand. While maintaining its prudent approach in its steel trading business, the Group will continue to enhance its competitive advantage and value proposition in the engineering industry and work on fully integrating its recent acquisitions.

*"Our strategy to diversify through acquisitions is bearing fruit, and I am heartened by the positive performance of our engineering and scaffolding divisions during this financial year. The higher gross profit margins commanded by these businesses have improved our Group's profitability and we hope to sustain this positive trajectory."*

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

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## **About Union Steel Holdings Limited ([www.unionsteel.com.sg](http://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. Union Steel Holdings Limited was listed on the SGX-ST Mainboard on 15 August 2005.

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 through potential acquisitions and joint venture opportunities.

Today, the Group is engaged in related businesses which comprise; (i) recycling of ferrous and non-ferrous scrap metal; (ii) trading of steel products and non-ferrous metal products; (iii) rental of sheet piles, steel plates, test piles and beams; (iv) leasing of industrial properties; (v) provision of scaffolding services and related consultancy services; (vi) civil construction and engineering work, and the manufacture of motor vehicle bodies (coachwork), trailers and semi-trailers ("Gee Sheng"); (vii) marine equipment makers, which provide products and engineering services to the marine sector ("Transvictory"); (viii) land transport engineering solutions, providing a comprehensive range of equipment and components for load handling, including truck-mounted cranes, tailgate, rubbish compactor, and the sole distributor for EFFER, ZEPRO and GEESINKNORBA ("Megafab"); and (ix) crane services (loading and unloading of cargo) and other specialized construction and related activities ("MegaCrane").

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