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## MEDIA RELEASE

### Union Steel's profit margin improves in 2Q 2018

Y/E 30 June (S\$ million)	2Q 2018	2Q 2017	YOY % Chg	1Q 2018	QOQ % Chg
Revenue	17.0	23.5	-27.8%	19.6	-13.6%
Gross Profit	3.3	4.2	-22.4%	3.7	-10.5%
Gross Margin	19.4%	18.1%	+1.3pppts	18.8%	+0.6pppts
Profit Before Tax	0.2	0.7	-78.0%	0.3	-41.1%
Net Profit	0.3	0.6	-51.4%	0.2	28.7%
Attributable Net Profit/(Loss)	0.3	0.5	-31.5%	0.2	39.1%
Earnings Per Share (cents)*^	0.8	1.2	-33.3%	0.6	33.3%
Net Asset Value Per Share (cents)	168.4	164.7	2.2%	167.5	0.5%

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

^Based on profit attributable to shareholders

**07 February 2018** – 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 attributable to shareholders of \$0.3 million for the three months ended 31 December 2017 (“2Q 2018”), compared to \$0.5 million for the three months ended 31 December 2016 (“2Q 2017”), mainly due to lower contribution from its steel trading and marine equipment businesses in Singapore.

#### Margins improve due to scaffolding services and mechanical engineering businesses

The Group's revenue decreased by 27.8% y-o-y to \$17.0 million in 2Q 2018, mainly due to lower contribution from its steel trading and marine equipment businesses in Singapore. The lower contribution was partially offset by the maiden revenue contribution of \$2.9 million from its industrial crane business and higher contribution from its mechanical engineering business.

Despite a fall in the Group's gross profit, its gross profit margin improved from 18.1% in 2Q 2017 to 19.4% in 2Q 2018, supported by profit contribution from the mechanical engineering and scaffolding services, as these business segments command higher profit margins relative to the Group's recycling and trading business segments.

A lower revenue and gross profit, coupled with a 26.0% y-o-y decline in other operating income in 2Q 2018 due to lower rental income generated and foreign exchange gain, led to a sharp decline of 78.0% y-o-y in the Group's profit before tax.

Net profit attributable to shareholders fell 31.5% y-o-y to \$0.3 million in 2Q 2018. On a sequential basis, however, it jumped by 39.1% q-o-q from \$0.2 million in 1Q 2018.

### **Cash Flows – Strong operating cash inflows**

There was an improvement in collection from customers towards the end of 2Q 2018, resulting in a decrease in trade and other receivables.

Inventory and trade payables decreased mainly due to lower purchases towards the end of the 2Q 2018.

The Group recorded strong net cash inflow from operating activities of \$4.6 million in 2Q 2018.

### **Financial Position – Strengthening balance sheet position**

The Group's cash and cash equivalents remains high at \$21.5 million, even after taking into account the repayment of \$4.5 million in bank loan in 2Q 2018. Its balance sheet continues to strengthen, with net gearing (defined as the ratio of the aggregate of interest bearing loans net of cash and cash equivalents to total equity) decreasing to 24.3% as at 31 December 2017 from 37.2% as at 30 June 2017.

### **Outlook**

The outlook for the steel industry remains challenging as steel prices are volatile and demand is expected to remain soft in the next few quarters. The Group will mitigate these business risks and navigate cautiously.

As the Group is a diversified company with complementary businesses in scaffolding, civil construction and engineering work, land transport engineering solutions and crane services, it will work on leveraging the operational synergies between its subsidiaries to explore business opportunities in these sectors and to deliver long term value for shareholders.

*“We experienced another tough quarter in our steel trading business. Nonetheless, I am thankful to be supported by a dedicated management team and staff members who had skilfully executed our Group’s diversification strategy to bring us to where we are today.”*

**- 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").

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