



**UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE SECOND FINANCIAL QUARTER (“Q2FY2017”) AND HALF YEAR FINANCIAL PERIOD ENDED 31 DECEMBER 2016 (“H1FY2017”) IN RESPECT OF THE FINANCIAL YEAR ENDING 30 JUNE 2017 (“FY2017”)**

**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), FULL YEAR RESULTS**

The balance sheet of the Group as at 31 December 2016, the income statements and cashflow statements of the Group for Q2FY2017 and H1FY2017 had taken into account and consolidated the relevant financial results of 1) Transvictory Holdings Pte Ltd, Steadfast Offshore & Marine Pte Ltd and Transvictory Winch System Pte Ltd (“Transvictory Group”), a group of newly acquired 100% owned subsidiaries of the Group since 8 July 2016 (the “Acquisition”), and 2) Megafab Engineering Pte Ltd (“Megafab”), a newly acquired 70% owned subsidiary of the Group since 29 November 2016 (the “Acquisition”)

**1.(a)(i) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	The Group			The Group		
	Q2FY2017 S\$'000	Q2FY2016 S\$'000	% Change	H1FY2017 S\$'000	H1FY2016 S\$'000	% Change
<b>Revenue</b>	<b>23,503</b>	22,881	3	<b>46,544</b>	46,183	1
Cost of sales	<b>(19,255)</b>	(19,499)	(1)	<b>(38,850)</b>	(39,910)	(3)
<b>Gross profit</b>	<b>4,248</b>	3,382	26	<b>7,694</b>	6,273	23
Other income	<b>1,487</b>	1,438	3	<b>3,056</b>	2,889	6
Distribution and marketing expenses	<b>(244)</b>	(298)	(18)	<b>(546)</b>	(712)	(23)
Administrative expenses	<b>(3,869)</b>	(3,289)	18	<b>(7,048)</b>	(5,948)	18
Other operating expenses	<b>(568)</b>	(803)	(29)	<b>(1,741)</b>	(2,002)	(13)
<b>Profit from operations</b>	<b>1,054</b>	430	145	<b>1,415</b>	500	183
Finance costs	<b>(348)</b>	(296)	18	<b>(683)</b>	(622)	10
<b>(Loss)/Profit before taxation</b>	<b>706</b>	134	427	<b>732</b>	(122)	NM
Income tax	<b>(115)</b>	(80)	44	<b>(102)</b>	(141)	(28)
<b>(Loss)/Profit after taxation</b>	<b>591</b>	54	994	<b>630</b>	(263)	NM
<b>Profit attributable to:-</b>						
Owners of the Company	<b>483</b>	105	360	<b>522</b>	(263)	NM
Non-controlling interests	<b>108</b>	(51)	NM	<b>108</b>	-	NM
	<b>591</b>	54	994	<b>630</b>	(263)	NM

“Q2FY2017” denotes the second financial quarter of the financial year ended 31 December 2016 (“FY2017”).

“H1FY2017” denotes the first half financial year of FY2017.

“Q2FY2016” denotes the second financial quarter of the financial year ended 31 December 2015 (“FY2016”).

“H1FY2016” denotes the first half financial year of FY2016.

“% Change” denotes increase/(decrease) in the relevant profit or loss item as compared with the comparative figure.

“NM” denotes not meaningful.



**1.(a)(ii) A statement of comprehensive income for the group together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	The Group			The Group		
	Q2FY2017 S\$'000	Q2FY2016 S\$'000	% Change	H1FY2017 S\$'000	H1FY2016 S\$'000	% Change
Profit for the period	591	54	994	630	(263)	NM
Exchange differences on translating foreign operations	(19)	723	NM	(16)	244	NM
Other comprehensive income, net of tax	(19)	723	NM	(16)	244	NM
Total comprehensive income for the period	572	777	(26)	614	(19)	NM
Total comprehensive income attributable to:-						
Owners of the Company	464	828	(44)	506	(19)	NM
Non-controlling interest	108	(51)	NM	108	-	NM
	572	777	(26)	614	(19)	NM

**1.(a)(iii) Net profit for the period was stated after (crediting)/charging:**

	The Group			The Group		
	Q2FY2017 S\$'000	Q2FY2016 S\$'000	% Change	H1FY2017 S\$'000	H1FY2016 S\$'000	% Change
Profit before income tax has been arrived at after charging/(crediting)						
Depreciation of property, plant and equipment	1,524	734	108	3,029	2,235	36
Amortisation of intangible assets	148	251	41	295	398	(26)
Net foreign currency exchange (gain)/loss	37	(142)	NM	(33)	65	NM
Loss/(Gain) on disposal of property, plant and equipment	-	(135)	(28)	(8)	(135)	(94)
Reversal of allowance for inventories	(483)	(2,488)	(81)	(871)	(2,488)	(65)
Interest income	(5)	(19)	(74)	(9)	(28)	(68)
Interest expense	348	296	18	683	622	10
Allowance/(Reversal) for doubtful debts	122	-	NM	(41)	-	NM



**1.(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.**

	The Group		The Company	
	As at 31 December 2016 S\$'000	As at 30 June 2016 S\$'000	As at 31 December 2016 S\$'000	As at 30 June 2016 S\$'000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	22,348	28,340	1,574	1,255
Trade and other receivables	13,143	10,572	6,733	354
Inventories	26,077	12,609	-	-
Total current assets	61,568	51,521	8,307	1,609
<b>Non-current assets</b>				
Property, plant and equipment	44,613	39,885	256	138
Investment property	10,937	10,937	-	-
Goodwill	9,242	7,733	-	-
Other intangible assets	206	501	-	-
Golf club membership	201	201	201	201
Subsidiaries	-	-	58,979	42,801
Deposits	-	1,960	-	1,960
Total non-current assets	65,199	61,217	59,436	45,100
<b>Total assets</b>	<b>126,767</b>	<b>112,738</b>	<b>67,743</b>	<b>46,709</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities</b>				
Bank loans and bills payable	36,659	35,263	2,092	4,752
Trade and other payables	8,712	6,055	29,487	16,752
Finance leases	202	47	-	-
Income tax payable	280	195	-	-
Total current liabilities	45,853	41,560	31,579	21,504
<b>Non-current liabilities</b>				
Bank loans	11,985	3,144	8,864	-
Finance leases	74	93	-	-
Deferred tax liabilities	3,600	3,582	39	39
Total non-current liabilities	15,659	6,819	8,903	39
<b>Capital and reserves</b>				
Share capital	36,603	36,603	36,603	36,603
Capital reserve	5,237	5,237	-	-
Foreign currency translation reserve	(324)	(308)	-	-
Retained earnings/(Accumulated losses)	23,349	22,827	(9,342)	(11,437)
Equity attributable to owners of the company	64,865	64,359	27,261	25,166
Non-controlling interests	390	-	-	-
Total equity	65,255	64,359	27,261	25,166
<b>Total liabilities and equity</b>	<b>126,767</b>	<b>112,738</b>	<b>67,743</b>	<b>46,709</b>



**1.(b)(ii) In relation to the aggregate amount of the group's borrowings and debts securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year.**

	The Group	
	As at 31 December 2016 S\$'000	As at 30 June 2016 S\$'000
Amount repayable in one year or less or on demand		
Unsecured	35,876	33,801
Secured	783	1,462
Total	<u>36,659</u>	<u>35,263</u>
Amount repayable after one year		
Unsecured	8,864	-
Secured	3,121	3,144
Total	<u>11,985</u>	<u>3,144</u>

**Details of any collateral**

These are secured by:

- Mortgages over certain property, plant and equipment of subsidiaries.
- The unsecured amount consists of trust receipts and term loans arising from the ordinary course of business and bank borrowings, which includes an acquisition loan granted to the Company.
- Corporate guarantees by the Company.
- Certain property, plant and equipment are under finance lease arrangements.



**1.(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	<b>The Group</b>			
	<b>Q2FY2017</b> S\$'000	<b>Q2FY2016</b> S\$'000	<b>H1FY2017</b> S\$'000	<b>H1FY2016</b> S\$'000
<b>Operating activities</b>				
Profit/(loss) before income tax	706	134	732	(122)
Adjustments for:				
Depreciation of property, plant and equipment	1,524	734	3,029	2,235
(Gain)/loss on disposal of property, plant and equipment	-	(135)	(8)	(135)
Amortisation of intangible assets	148	251	295	398
Allowance/(reversal) for doubtful debts	122	-	(41)	-
Reversal of allowance for inventories	(483)	(2,488)	(871)	(2,488)
Interest expense	348	296	683	622
Interest income	(5)	(19)	(9)	(28)
Currency realignment	(498)	(276)	(588)	(276)
Operating cash flows before movement in working capital	1,862	(1,503)	3,222	206
Inventories	3,759	5,974	(4,032)	9,650
Trade and other receivables	1,912	(189)	1,929	(1,234)
Trade and other payables	(345)	(261)	(882)	(1,231)
Cash generated from operations	7,188	4,021	237	7,391
Interest paid	(348)	(296)	(683)	(622)
Interest received	5	19	9	28
Income tax paid	(13)	(291)	(1)	(370)
<b>Net cash from operating activities</b>	<b>6,832</b>	<b>3,453</b>	<b>(438)</b>	<b>6,427</b>
<b>Investing activities</b>				
Purchase of property, plant and equipment	(1,488)	(361)	(1,924)	(1,727)
Acquisition of subsidiary, net of cash acquired	(419)	(911)	(14,438)	(5,328)
Proceeds from disposal of property, plant and equipment	-	135	80	135
<b>Net cash used in investing activities</b>	<b>(1,907)</b>	<b>(1,137)</b>	<b>(16,282)</b>	<b>(6,920)</b>
<b>Financing activities</b>				
Proceeds from bank loans	1,163	799	23,437	5,400
Repayment of bank loans	(8,171)	(9,731)	(13,200)	(10,273)
Repayment of finance leases	3	(17)	(73)	(35)
<b>Net cash (used in)/generated from financing activities</b>	<b>(7,005)</b>	<b>(8,949)</b>	<b>10,164</b>	<b>(4,908)</b>
Net change in cash and cash equivalents	(2,080)	(6,633)	(6,556)	(5,401)
Effect of exchange rate changes on cash and cash equivalents	471	995	564	517
Cash and cash equivalents at beginning of the period	23,957	31,948	28,340	31,194
<b>Cash and cash equivalents at end of the period (Note 1)</b>	<b>22,348</b>	<b>26,310</b>	<b>22,348</b>	<b>26,310</b>

**Note 1:**

Cash and cash equivalents consist of:

	<b>The Group</b>	
	<b>H1FY2017</b> S\$'000	<b>H1FY2016</b> S\$'000
Cash and bank balances	22,348	26,310
Fixed deposits	-	-
<b>Cash and cash equivalents</b>	<b>22,348</b>	<b>26,310</b>



**1.(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediate preceding financial year.**

<b>Group</b>	<b>Share capital S\$' 000</b>	<b>Retained earnings S\$' 000</b>	<b>Translation reserve S\$' 000</b>	<b>Capital reserve S\$' 000</b>	<b>Equity attributable to owners of the Company S\$' 000</b>	<b>Non-controlling interest S\$' 000</b>	<b>Total S\$' 000</b>
<i>Balance as at 1 July 2016</i>	36,603	22,827	(308)	5,237	64,359	-	64,359
Total comprehensive income							
Profit for the period	-	522	-	-	522	108	630
Other comprehensive income	-	-	(16)	-	(16)	-	(16)
Total	-	522	(16)	-	506	108	614
Transactions with owners, recognised directly in equity							
Non-controlling interest arising from acquisition of a subsidiary	-	-	-	-	-	282	282
Dividends	-	-	-	-	-	-	-
	-	-	-	-	-	282	282
<i>Balance as at 31 December 2016</i>	<b>36,603</b>	<b>23,349</b>	<b>(324)</b>	<b>5,237</b>	<b>64,865</b>	<b>390</b>	<b>65,255</b>
<i>Balance as at 1 July 2015</i>	36,603	39,517	(728)	5,237	80,629	-	80,629
Total comprehensive income							
Profit for the period	-	(263)	-	-	(263)	-	(263)
Other comprehensive income	-	-	244	-	244	-	244
Total	-	(263)	244	-	(19)	-	(19)
Transactions with owners, recognised directly in equity							
Non-controlling interest arising from acquisition of a subsidiary	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
<i>Balance as at 31 December 2015</i>	<b>36,603</b>	<b>39,254</b>	<b>(484)</b>	<b>5,237</b>	<b>80,610</b>	<b>-</b>	<b>80,610</b>
<b>Company</b>	<b>Share capital S\$' 000</b>	<b>Accumulated losses S\$' 000</b>	<b>Total equity S\$' 000</b>				
<i>Balance as at 1 July 2016</i>	36,603	(11,437)	25,166				
Total comprehensive income	-	2,095	2,095				
Dividends	-	-	-				
<i>Balance as at 31 December 2016</i>	<b>36,603</b>	<b>(9,342)</b>	<b>27,261</b>				
<i>Balance as at 1 July 2015</i>	36,603	(4,557)	32,046				
Total comprehensive income	-	3,127	3,127				
Dividends	-	-	-				
<i>Balance as at 31 December 2015</i>	<b>36,603</b>	<b>(1,430)</b>	<b>35,173</b>				



**1.(d)(ii) Details of any changes in the company's share capital arising from right issue, bonus issue, share buy-back, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

Not applicable.

**1.(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of current financial period and as at the end of the immediately preceding year.**

As at 31 December 2016, the Company does not have treasury shares.

**1.(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

**2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited nor reviewed by the Company's auditors.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).**

Not applicable.

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group has applied the same accounting policies and methods of computation in the financial year as those applied for the audited financial statements for the year ended 30 June 2016.

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

Not applicable.



**6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	The Group	
	H1FY2017 S\$'000	H1FY2016 S\$'000
<b>Profit/(loss) attributable to shareholders</b>	<b>522</b>	<b>(263)</b>
<b>Profit/(loss) per share</b>		
Basic (Singapore cents)	<b>1.3 cents*</b>	<b>(0.67) cents**</b>
Diluted (Singapore cents)	<b>1.3 cents*</b>	<b>(0.67) cents**</b>

\* Basic and diluted earnings per share for H1FY2017 is computed based on profit for the period attributable to ordinary shareholders amounting to about S\$0.5 million and the weighted average number of shares of 39,378,100.

\*\* Basic and diluted earnings per share for H1FY2016 is computed based on loss for the period attributable to ordinary shareholders amounting to about S\$0.3 million and the weighted average number of shares of 39,378,100.

There were no potential dilutive shares as at 31 December 2016.

**7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued share capital excluding treasury shares of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year.**

	The Group		The Company	
	As at 31 December 2016 S\$'000	As at 30 June 2016 S\$'000	As at 31 December 2016 S\$'000	As at 30 June 2016 S\$'000
Net asset value as at the respective balance sheet dates	<b>64,865</b>	64,359	<b>27,261</b>	25,166
Net asset value per ordinary share based on issued share capital as at the respective balance sheet dates (Singapore cents)	<b>164.7 cents</b>	163.4 cents	<b>69.2 cents</b>	63.9 cents





**8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the Group's business. The review must discuss any significant factors that affected the turnover, costs and earning of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period report on.**

#### **Overview**

The Group, comprising Union Steel Holdings Limited (the "Company") and its subsidiaries, started operations as YLS Steel Pte Ltd which was involved in the trading of ferrous scrap metal. Union Steel Holdings Limited was listed on SGX-ST Mainboard on 15 August 2005. 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"); and (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").

#### **(a) Review of the financial performance of the Group for H1FY2017 (compared to that of H1FY2016) and for Q2FY2017 (compared to that of Q2FY2016)**

The Group's revenue marginally increased by 0.8% in H1FY2017 (vis-à-vis H1FY2016) and by 2.7% in Q2FY2017 (vis-à-vis Q2FY2016), due principally to the maiden revenue contribution of S\$2.8 million from Transvictory, and offset by lower contribution from the Group's engineering and trading business in Singapore and discontinued operations in Malaysia.

The Group's gross profit increased by 25.6% in Q2FY2017 compared to the same period last year as a result of the Group's gross profit margin improving from 14.8% in Q2FY2016 to 18.1% in Q2FY2017. The improvement in gross profit margin was due mainly to the profit contribution from Transvictory and Megafab, as these business segments command higher profit margins relative to the Group's recycling and trading business segments.

The Group's other operating income increased by 5.8% in H1FY2017 (vis-à-vis H1FY2016) and by 3.4% in Q2FY2017 (vis-à-vis Q2FY2016), due mainly to the higher rental income generated and reversal of allowance for doubtful debts.

The decrease in distribution and marketing expenses in H1FY2017 and Q2FY2017 relative to the same periods last year were mainly attributed to the reduction of import and export activities.

The increase in administrative expenses in H1FY2017 and Q2FY2017 relative to the same periods last year were mainly attributed to the consolidation of Transvictory and Megafab's administrative expenses after their acquisition.

The decrease in other operating expenses in H1FY2017 and Q2FY2017 relative to the same periods last year were mainly attributed to the rebate of land rental.



Finance costs increased as a result of the higher interest payment.

**(b) Review of financial position of the Group as at 31 December 2016 compared to that as at 30 June 2016**

The increase in property, plant and equipment and goodwill were attributed mainly to the Acquisition.

The deposit relates to a downpayment towards the acquisition of Transvictory before the year ended 30 June 2016. Upon completion of the Acquisition, the deposit was reclassified into investment in subsidiaries which were fully eliminated in consolidation level.

The increase in trade and other receivables was mainly due to revenue recognised towards the end of December 2016 and the consolidation of Transvictory and Megafab's financial position after the Acquisition.

The increase in inventory and trade payables was mainly due to higher purchases towards the end of the Q2FY2017 and the consolidation of Transvictory and Megafab's financial position after the Acquisition.

The Group's total bank loans and bills payable increased by 26.7% to S\$48.6 million as at 31 December 2016 from S\$38.4 million as at 30 June 2016 mainly due to increase the acquisition of Transvictory.

The Group's cash and cash equivalents decreased by S\$6.0 million compared to 30 June 2016, mainly due to acquisition of Transvictory. The net gearing of the Group (defined as the ratio of the aggregate of interest bearing loans net of cash and cash equivalents to total equity) increased to 41.0% as at 31 December 2016 from 15.6% as at 30 June 2016 with the repayment of bank loans.

**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

Not applicable.

**10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

The outlook for the steel industry remains challenging as steel prices are very volatile and demand is expected to remain soft in the next few quarters.

The Group has and will continue to move up the supply chain and to harness operational synergy between its various subsidiaries. With the acquisition of Megafab in this quarter, the Group is well equipped with the platform to expand into the industrial crane market, as well as to provide engineering solutions for land transport and lifting requirements. Combined with its other subsidiaries providing sophisticated marine equipment and engineering products, the Group is ready to access and explore new regional markets, and will continue to expand its product range to widen its market share in the industrial and offshore & marine sectors.

**11. Dividend**

**(a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on?



None.

**(b) Corresponding Period of the immediately Preceding Financial Year**

**Any dividend declared for the corresponding period of the immediately preceding financial year?**

None.

**(c) Date payable**

Not applicable.

**(d) Books closure date**

Not applicable.

**12. If no dividend has been declared/recommendeded, a statement to that effect**

Not applicable.

**13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, statement to that effect.**

The Group does not have a general mandate from shareholders for IPTs.

**14. Confirmation by Directors pursuant to Rule 705(5) of the SGX Listing Manual**

The Directors of the Company confirm that to the best of their knowledge, nothing has come to their attention which may render these unaudited interim financial statements for the six month financial period ended 31 December 2016, to be false or misleading in any material aspect.

**15. Confirmation that the issuer has procured undertakings from all its directors and executive officers under Rule 720(1)**

The Company has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

**BY ORDER OF THE BOARD**

**ANG YU SENG**

Executive Chairman and Chief Executive Officer

25 January 2017