



UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE SECOND FINANCIAL QUARTER (“Q2FY2018”) AND HALF YEAR FINANCIAL PERIOD ENDED 31 DECEMBER 2017 (“H1FY2018”) IN RESPECT OF THE FINANCIAL YEAR ENDING 30 JUNE 2018 (“FY2018”)

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

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		
	Q2FY2018 S\$'000	Q2FY2017 S\$'000	% Change	H1FY2018 S\$'000	H1FY2017 S\$'000	% Change
Revenue	16,964	23,503	(28)	36,606	46,544	(21)
Cost of sales	(13,666)	(19,255)	(29)	(29,624)	(38,850)	(24)
Gross profit	3,298	4,248	(22)	6,982	7,694	(9)
Other income	1,102	1,487	(26)	2,271	3,056	(26)
Distribution and marketing expenses	(124)	(244)	(49)	(224)	(546)	(59)
Administrative expenses	(2,399)	(3,869)	(38)	(5,201)	(7,048)	(26)
Other operating expenses	(1,457)	(568)	157	(2,873)	(1,741)	65
Profit from operations	420	1,054	(60)	955	1,415	(33)
Finance costs	(265)	(348)	(24)	(537)	(683)	(21)
Profit before taxation	155	706	(78)	418	732	(43)
Income tax	132	(115)	NM	92	(102)	NM
Profit after taxation	287	591	(51)	510	630	(19)
Profit attributable to:-						
Owners of the Company	331	483	(31)	569	522	9
Non-controlling interests	(44)	108	NM	(59)	108	NM
	287	591	(51)	510	630	(19)

“Q2FY2018” denotes the second financial quarter of the financial year ended 31 December 2017 (“FY2018”).

“H1FY2018” denotes the first half financial year of FY2018.

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

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

“% 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		
	Q2FY2018 S\$'000	Q2FY2017 S\$'000	% Change	H1FY2018 S\$'000	H1FY2017 S\$'000	% Change
Profit for the period	287	591	(51)	510	630	(19)
Exchange differences on translating foreign operations	-	(19)	NM	-	(16)	NM
Other comprehensive income, net of tax	-	(19)	NM	-	(16)	NM
Total comprehensive income for the period	287	572	(50)	510	614	(17)
Total comprehensive income attributable to:-						
Owners of the Company	331	464	(29)	569	506	12
Non-controlling interest	(44)	108	NM	(59)	108	NM
	287	572	(50)	510	614	(17)

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

	The Group			The Group		
	Q2FY2018 S\$'000	Q2FY2017 S\$'000	% Change	H1FY2018 S\$'000	H1FY2017 S\$'000	% Change
Profit before income tax has been arrived at after charging/(crediting)						
Depreciation of property, plant and equipment	1,461	1,524	(4)	2,868	3,029	(5)
Amortisation of intangible assets	-	148	NM	-	295	NM
Net foreign currency exchange loss/(gain)	89	37	141	188	(33)	NM
Gain on disposal of property, plant and equipment	(23)	-	NM	(22)	(8)	175
Reversal of allowance for inventories	-	(483)	NM	-	(871)	NM
Interest income	(16)	(5)	220	(29)	(9)	222
Interest expense	265	348	(19)	537	683	(21)
Bad debts recovered	-	-	NM	(48)	-	NM
Allowance/(Reversal) for doubtful debts	118	122	(3)	254	(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 2017 S\$'000	As at 30 June 2017 S\$'000	As at 31 December 2017 S\$'000	As at 30 June 2017 S\$'000
ASSETS				
Current assets				
Cash and cash equivalents	21,478	20,942	914	557
Trade and other receivables	11,923	12,925	8,271	6,390
Inventories	20,623	26,809	-	-
Total current assets	54,024	60,676	9,185	6,947
Non-current assets				
Property, plant and equipment	40,400	42,402	182	213
Investment property	10,937	10,937	-	-
Goodwill	9,683	9,683	-	-
Golf club membership	201	201	201	201
Subsidiaries	-	-	57,802	57,802
Total non-current assets	61,221	63,223	58,185	58,216
Total assets	115,245	123,899	67,370	65,163
LIABILITIES AND EQUITY				
Current liabilities				
Bank loans and bills payable	32,001	37,916	2,290	2,290
Trade and other payables	7,326	8,671	30,798	27,685
Finance leases	144	161	-	-
Income tax payable	396	357	-	-
Total current liabilities	39,867	47,105	33,088	29,975
Non-current liabilities				
Bank loans	5,397	7,267	4,569	5,718
Finance leases	39	69	-	-
Deferred tax liabilities	3,246	3,272	39	39
Total non-current liabilities	8,682	10,608	4,608	5,757
Capital and reserves				
Share capital	36,603	36,603	36,603	36,603
Capital reserve	5,237	5,237	-	-
Foreign currency translation reserve	(338)	(338)	-	-
Retained earnings/(Accumulated losses)	24,805	24,236	(6,929)	(7,172)
Equity attributable to owners of the company	66,307	65,738	29,674	29,431
Non-controlling interests	389	448	-	-
Total equity	66,696	66,186	29,674	29,431
Total liabilities and equity	115,245	123,899	67,370	65,163



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 2017 S\$'000	As at 30 June 2017 S\$'000
Amount repayable in one year or less or on demand		
Unsecured	30,524	36,332
Secured	1,477	1,584
Total	32,001	37,916
Amount repayable after one year		
Unsecured	4,568	5,718
Secured	829	1,549
Total	5,397	7,267

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.

	The Group			
	Q2FY2018 S\$'000	Q2FY2017 S\$'000	H1FY2018 S\$'000	H1FY2017 S\$'000
Operating activities				
Profit before income tax	155	706	418	732
Adjustments for:				
Depreciation of property, plant and equipment	1,461	1,524	2,868	3,029
Gain on disposal of property, plant and equipment	(23)	-	(22)	(8)
Amortisation of intangible assets	-	148	-	295
Bad debts recoverable	-	-	(48)	-
Allowance/(reversal) for doubtful debts	118	122	254	(41)
Reversal of allowance for inventories	-	(483)	-	(871)
Assets written off	274	-	274	-
Interest expense	265	348	537	683
Interest income	(16)	(5)	(29)	(9)
Currency realignment	-	(498)	-	(588)
Operating cash flows before movement in working capital	2,234	1,862	4,252	3,222
Inventories	2,480	3,759	6,186	(4,032)
Trade and other receivables	374	1,912	796	1,929
Trade and other payables	(307)	(345)	(1,345)	(882)
Cash generated from operations	4,781	7,188	9,889	237
Interest paid	(265)	(348)	(537)	(683)
Interest received	16	5	29	9
Income tax credit/(paid)	107	(13)	105	(1)
Net cash from/(used in) operating activities	4,639	6,832	9,486	(438)
Investing activities				
Purchase of property, plant and equipment	(924)	(1,488)	(1,191)	(1,924)
Acquisition of subsidiary, net of cash acquired	-	(419)	-	(14,438)
Proceeds from disposal of property, plant and equipment	66	-	73	80
Net cash used in investing activities	(858)	(1,907)	(1,118)	(16,282)
Financing activities				
Proceeds from bank loans	2,341	1,163	2,341	23,437
Repayment of bank loans	(4,478)	(8,171)	(10,126)	(13,200)
Repayment of finance leases	(25)	3	(47)	(73)
Net cash used in financing activities	(2,162)	(7,005)	(7,832)	10,164
Net change in cash and cash equivalents	1,619	(2,080)	536	(6,556)
Effect of exchange rate changes on cash and cash equivalents	-	471	-	564
Cash and cash equivalents at beginning of the period	19,859	23,957	20,942	28,340
Cash and cash equivalents at end of the period (Note 1)	21,478	22,348	21,478	22,348

Note 1:

Cash and cash equivalent consist of:

	The Group	
	H1FY2018 S\$'000	H1FY2017 S\$'000
Cash and bank balances	21,288	22,158
Add: cash pledged with bank	190	190
Cash and cash equivalents	21,478	22,348



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.

Group	Share capital	Retained earnings	Translation reserve	Capital reserve	Equity attributable to owners of the Company	Non-controlling interest	Total
	S\$' 000	S\$' 000	S\$' 000	S\$' 000	S\$' 000	S\$' 000	S\$' 000
<i>Balance as at 1 July 2017</i>	36,603	24,236	(338)	5,237	65,738	448	66,186
Total comprehensive income							
Profit for the period	-	569	-	-	569	(59)	510
Other comprehensive income	-	-	-	-	-	-	-
Total	-	569	-	-	569	(59)	510
Transactions with owners, recognised directly in equity							
Non-controlling interest arising from acquisition of a subsidiary	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
<i>Balance as at 31 December 2017</i>	36,603	24,805	(338)	5,237	66,307	389	66,696
<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>	36,603	23,349	(324)	5,237	64,865	390	65,255
Company	Share capital	Accumulated losses	Total equity				
	S\$' 000	S\$' 000	S\$' 000				
<i>Balance as at 1 July 2017</i>	36,603	(7,172)	29,431				
Total comprehensive income	-	243	243				
Dividends	-	-	-				
<i>Balance as at 31 December 2017</i>	36,603	(6,929)	29,674				
<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>	36,603	(9,342)	27,261				



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, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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.

As at 31 December 2017, there were no subsidiary holdings and convertible securities outstanding (30 June 2017: Nil).

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 2017, 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.

1.(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

During the financial period, there was no transaction pertaining to subsidiary holdings.

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 2017.



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	
	H1FY2018	H1FY2017
	S\$'000	S\$'000
Profit/(loss) attributable to shareholders	569	522
Profit/(loss) per share		
Basic (Singapore cents)	1.4 cents*	1.3 cents**
Diluted (Singapore cents)	1.4 cents*	1.3 cents**

* Basic and diluted earnings per share for H1FY2018 is computed based on profit for the period attributable to ordinary shareholders amounting to about S\$0.6 million and the weighted average number of shares of 39,378,100.

** Basic and diluted earnings per share for H1FY2017 is computed based on loss 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.

There were no potential dilutive shares as at 31 December 2017.

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	As at	As at	As at
	31 December	30 June	31 December	30 June
	2017	2017	2017	2017
	S\$'000	S\$'000	S\$'000	S\$'000
Net asset value as at the respective balance sheet dates	66,307	65,738	29,674	29,431
Net asset value per ordinary share based on issued share capital as at the respective balance sheet dates (Singapore cents)	168.4 cents	166.9 cents	75.4 cents	74.7 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 H1FY2018 (compared to that of H1FY2017) and for Q2FY2018 (compared to that of Q2FY2017)

The Group's revenue decreased by 21.4% in H1FY2018 (vis-à-vis H1FY2017) and by 27.8% in Q2FY2018 (vis-à-vis Q2FY2017), due principally to lower contribution from marine sector and trading business in Singapore, offset by the maiden revenue contribution of S\$2.9 million from industrial crane business and higher contribution from mechanical engineering business.

While the Group's gross profit decreased by 9.3% in H1FY2018 (vis-à-vis H1FY2017) and by 22.4% in Q2FY2018 (vis-à-vis Q2FY2017), the gross profit margin improved from 16.5% in H1FY2017 to 19.1% in H1FY2018. The improvement in gross profit margin was due mainly to the profit contribution from mechanical engineering and scaffolding services, as these business segments command higher profit margins relative to the Group's recycling and trading business segments.

The Group's other operating income decreased by 25.7% in H1FY2018 (vis-à-vis H1FY2017) and by 25.9% in Q2FY2018 (vis-à-vis Q2FY2017), due mainly to the lower rental income generated and foreign exchange gain.

The decrease in distribution and marketing expenses in H1FY2018 and Q2FY2018 relative to the same periods last year were mainly attributed to the reduction of import and export activities.

The decrease in administrative expenses in H1FY2018 and Q2FY2018 relative to the same periods last year was mainly attributed to the reclassification of office rental to other operating expenses.

The increase in other operating expenses in H1FY2018 and Q2FY2018 relative to the same periods last year was mainly attributed to the reclassification of office rental from administrative expenses, and offset by the decrease in amortization of intangible assets which fully amortised in Q4FY2017



Finance costs decreased as a result of the lower interest payment.

The Group's income tax credit position is principally due to over-provision for tax payable in FY2017.

(b) Review of financial position of the Group as at 31 December 2017 compared to that as at 30 June 2017

The decrease in trade and other receivables was mainly due to better collection from customers towards the end of Q2FY2018.

The decrease in inventory and trade payables was mainly due to lower purchases towards the end of the Q2FY2018.

The Group generated strong operating cash inflow of S\$9.5 million in H1FY2018, and the Group's cash and bank balance increased by S\$0.5 million from 30 June 2017 after deduct of loan repayment of S\$10.1 million and acquisition of plant and machinery.

Accordingly,

1. the Group total interest-bearing borrowing and debts were reduced by 17.2% from S\$45.2 million as at 30 June 2017 to S\$37.4 million as at 31 December 2017;
2. the Group net gearing ratio (defined as the ratio of aggregate of interest bearing loans net of cash and bank balance to total equity) was reduced to 24.3% as at 31 December 2017 from 37.2% as at 30 June 2017.

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 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 its shareholders.

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 2017, 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
07 February 2018