

**UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE THREE MONTHS PERIOD ENDED 30 SEPTEMBER 2018 ("Q1FY2019") IN RESPECT OF THE FINANCIAL YEAR ENDING 30 JUNE 2019 ("FY2019")****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		
	Q1FY2019	Q1FY2018	%
	S\$'000	S\$'000	Change
Revenue	17,560	19,642	(11)
Cost of sales	(14,778)	(15,958)	(7)
Gross profit	2,782	3,684	(24)
Other income	1,081	1,169	(8)
Distribution and marketing expenses	(111)	(100)	11
Administrative expenses	(2,336)	(2,802)	(17)
Other operating expenses	(1,124)	(1,416)	(21)
Profit from operations	292	535	(45)
Finance costs	(259)	(272)	(5)
Profit before taxation	33	263	(87)
Income tax	12	(40)	NM
Profit after taxation	45	223	(80)
Profit attributable to:-			
Owners of the Company	87	238	(63)
Non-controlling interests	(42)	(15)	NM
	45	223	(80)

"Q1FY2019" denotes the first financial quarter of the financial year ended 30 June 2019 ("FY2019").

"Q1FY2018" denotes the first financial quarter of the financial year ended 30 June 2018 ("FY2018").

"% 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		
	Q1FY2019 S\$'000	Q1FY2018 S\$'000	% Change
Profit for the period	45	223	(80)
Exchange differences on translating foreign operations	(12)	-	NM
Other comprehensive income, net of tax	(12)	-	NM
Total comprehensive income for the period	33	223	(85)
Total comprehensive income attributable to:-			
Owners of the Company	75	238	(68)
Non-controlling interest	(42)	(15)	NM
	33	223	(85)

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

	The Group		
	Q1FY2019 S\$'000	Q1FY2018 S\$'000	% Change
Profit before income tax has been arrived at after charging/(crediting)			
Depreciation of property, plant and equipment	1,372	1,407	(2)
Amortisation of intangible assets	1	-	NM
Net foreign currency exchange loss	24	99	(76)
Loss on disposal of property, plant and equipment	109	1	99
Interest income	(21)	(13)	62
Interest expense	259	272	(5)
(Reversal)/Allowance for doubtful debts	(30)	136	NM
Bad debts recovered	-	(48)	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 30 September 2018 S\$'000	As at 30 June 2018 S\$'000	As at 30 September 2018 S\$'000	As at 30 June 2018 S\$'000
ASSETS				
Current assets				
Cash and cash equivalents	15,536	18,266	928	879
Trade and other receivables	14,087	15,124	5,260	6,346
Inventories	21,016	23,840	-	-
Total current assets	50,639	57,230	6,188	7,225
Non-current assets				
Property, plant and equipment	39,582	39,392	144	155
Other intangible assets	19	-	-	-
Investment property	10,500	10,500	-	-
Goodwill	9,683	9,683	-	-
Golf club membership	201	201	201	201
Subsidiaries	-	-	55,102	55,102
Deferred tax assets	65	65	-	-
Total non-current assets	60,050	59,841	55,447	55,458
Total assets	110,689	117,071	61,635	62,683
LIABILITIES AND EQUITY				
Current liabilities				
Bank loans and bills payable	27,750	30,192	1,752	1,752
Trade and other payables	8,317	11,558	26,872	27,660
Finance leases	99	122	-	-
Income tax payable	463	456	-	-
Total current liabilities	36,629	42,328	28,624	29,412
Non-current liabilities				
Bank loans	3,927	4,620	3,509	3,949
Finance leases	9	12	-	-
Deferred tax liabilities	3,100	3,120	39	39
Total non-current liabilities	7,036	7,752	3,548	3,988
Capital and reserves				
Share capital	36,603	36,603	36,603	36,603
Capital reserve	5,237	5,237	-	-
Foreign currency translation reserve	(330)	(318)	-	-
Retained earnings/(Accumulated losses)	25,292	25,205	(7,140)	(7,320)
Equity attributable to owners of the company	66,802	66,727	29,463	29,283
Non-controlling interests	222	264	-	-
Total equity	67,024	66,991	29,463	29,283
Total liabilities and equity	110,689	117,071	61,635	62,683



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 30 September 2018 S\$'000	As at 30 June 2018 S\$'000
Amount repayable in one year or less or on demand		
Unsecured	25,280	27,346
Secured	2,470	2,846
Total	27,750	30,192
Amount repayable after one year		
Unsecured	418	671
Secured	3,509	3,949
Total	3,927	4,620

Details of any collateral

These are secured by:

- Leasehold land and buildings ;
- Investment property;
- Corporate guarantees by the Company; and
- Charge over shares of a subsidiary;



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	
	Q1FY2019	Q1FY2018
	S\$'000	S\$'000
Operating activities		
Profit before income tax	33	263
Adjustments for:		
Depreciation of property, plant and equipment	1,372	1,407
Loss on disposal of property, plant and equipment	109	1
Bad debts recovered	-	(48)
Amortisation of intangible assets	1	-
(Reversal)/allowance for doubtful debts	(30)	136
Interest expense	259	272
Interest income	(21)	(13)
Operating cash flows before movement in working capital	1,723	2,018
Inventories	2,585	3,706
Trade and other receivables	1,067	422
Trade and other payables	(3,241)	(1,038)
Cash generated from operations	2,134	5,108
Interest paid	(259)	(272)
Interest received	21	13
Income tax paid	-	(2)
Net cash from operating activities	1,896	4,847
Investing activities		
Purchase of property, plant and equipment	(1,794)	(267)
Proceeds from disposal of property, plant and equipment	343	7
Net cash used in investing activities	(1,451)	(260)
Financing activities		
Proceeds from bank loans	2,500	-
Repayment of bank loans	(3,568)	(5,648)
Decrease in bills payable	(2,067)	-
Repayment of finance leases	(26)	(22)
Net cash used in financing activities	(3,161)	(5,670)
Net change in cash and cash equivalents	(2,716)	(1,083)
Effect of exchange rate changes on cash and cash equivalents	(14)	-
Cash and cash equivalents at beginning of the period	18,266	20,942
Cash and cash equivalents at end of the period	15,536	19,859



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 2018</i>	36,603	25,205	(318)	5,237	66,727	264	66,991
Total comprehensive income							
Profit for the year	-	87	-	-	87	-	87
Other comprehensive income	-	-	(12)	-	(12)	(42)	(54)
<i>Balance as at 30 September 2018</i>	36,603	25,292	(330)	5,237	66,802	222	67,024
<i>Balance as at 1 July 2017</i>	36,603	24,236	(338)	5,237	65,738	448	66,186
Total comprehensive income							
Loss for the year	-	238	-	-	238	-	238
Other comprehensive income	-	-	-	-	-	(15)	(15)
<i>Balance as at 30 September 2017</i>	36,603	24,474	(338)	5,237	65,976	433	66,409
Company	Share capital	Accumulated losses	Total equity				
	S\$' 000	S\$' 000	S\$' 000				
<i>Balance as at 1 July 2018</i>	36,603	(7,320)	29,283				
Total comprehensive income	-	180	180				
Dividends	-	-	-				
<i>Balance as at 30 September 2018</i>	36,603	(7,140)	29,463				
<i>Balance as at 1 July 2017</i>	36,603	(7,172)	29,431				
Total comprehensive income	-	130	130				
<i>Balance as at 30 September 2017</i>	36,603	(7,042)	29,561				



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 30 September 2018, there were no subsidiary holdings and convertible securities outstanding (30 June 2018: 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 30 September 2018, 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 2018.



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	
	Q1FY2019 S\$'000	Q1FY2018 S\$'000
Profit attributable to shareholders	87	238
Profit per share		
Basic (Singapore cents)	0.2 cents*	0.6 cents**
Diluted (Singapore cents)	0.2 cents*	0.6 cents**

* Basic and diluted earnings per share for Q1FY2019 is computed based on profit for the period attributable to ordinary shareholders amounting to about S\$87,000 and the weighted average number of shares of 39,378,100.

** Basic and diluted earnings per share for Q1FY2018 is computed based on profit for the period attributable to ordinary shareholders amounting to about S\$238,000 and the weighted average number of shares of 39,378,100.

There were no potential dilutive shares as at 30 September 2018.

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 30 Sep 2018 S\$'000	As at 30 June 2018 S\$'000	As at 30 Sep 2018 S\$'000	As at 30 June 2018 S\$'000
Net asset value as at the respective balance sheet dates	66,802	66,727	29,463	29,283
Net asset value per ordinary share based on issued share capital as at the respective balance sheet dates (Singapore cents)	169.6 cents	169.5 cents	74.8 cents	74.4 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;

- Recycling of ferrous and non-ferrous scrap metal
- Trading of steel products and non-ferrous metal products
- Rental of sheet piles, steel plates, test piles and beams
- Leasing of industrial properties
- Provision of scaffolding services and related consultancy services
- Civil construction and engineering work, and the manufacture of motor vehicle bodies (coachwork), trailers and semi-trailers ("Gee Sheng")
- Marine equipment makers, which provide products and engineering services to the marine sector ("Transvictory")
- 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")
- Online portal for sales of used equipment ("Used Equipment")

(a) Review of the financial performance of the Group for Q1FY2019 (compared to that of Q1FY2018)

Q1FY2019 revenue decreased by 10.6% compared to the same period last year, due principally to lower contribution from the Group's industrial crane business and recycling business with decreases in revenue of S\$1.1 million and S\$0.7 million respectively.

The Group's gross profit decreased by 24.5% in Q1FY2019 (vis-à-vis Q1FY2018), and the gross profit margin reduced from 18.8% in Q1FY2018 to 15.8% in Q1FY2019 due mainly to the mechanical engineering, scaffolding services and winch businesses commanding lower profit margin this quarter at 16.7%, 30.8% and 35.4% respectively.

The Group's other operating income decreased slightly to S\$1.1 million in Q1FY2019 from S\$1.2 million in Q1FY2018 as a result of the lower property rental income generated.

Distribution and marketing expenses in Q1FY2019 remained almost the same as in Q1FY2018 at S\$0.1 million.

The decrease in administrative expenses in Q1FY2019 (vis-à-vis Q1FY2018) of S\$0.5 million was mainly attributed to lower staff costs due to disposal of a subsidiary in Q3FY2018, and streamlining of the land transport business.

Other operating expenses dropped by S\$0.3 million as a result of lower land rent due to the termination of a property lease in Q3FY2018 and lesser allowance for doubtful debts.



Finance costs decreased as bank loan and bills payable were reduced by S\$3.1 million.

(b) Review of financial position of the Group as at 30 September 2018 compared to that as at 30 June 2018

The decrease in inventories and trade payables was mainly due to lower purchases towards the end of the Q1FY2019.

Despite the Group experiencing strong operating cash inflow of close to S\$1.9 million in Q1FY2019, the Group's cash and bank balance decreased by S\$2.7 million from 30 June 2018 as a result of net cash used in financing activities of S\$3.1 million and acquisition of plant and machinery of \$1.7 million.

Accordingly,

1. The Group total interest bearing borrowing and debts reduced by 8.9% from S\$34.8 million as at 30 June 2018 to S\$31.7 million as at 30 September 2018;
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) reduce to 24.2% as at 30 September 2018 from 24.9% as at 30 June 2018.

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 steel trading industry remains challenging in view of volatile price movements, soft demand as well as intense competition. The Group will continue to mitigate these business risks and navigate cautiously. The recycling and mechanical engineering business are expected to remain stable, while the scaffolding and marine equipment business may see fluctuations due to their cyclical nature.

The Group is leveraging the operational synergies between its subsidiaries of marine equipment and mechanical engineering to explore more business opportunities and expand its customer footprint in regional markets.

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/recommended, 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 three month financial period ended 30 September 2018, 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
13 November 2018