UNION STEEL HOLDINGS LIMITED
友联钢铁控股有限公司
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CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

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CONDENSED INTERIM FINANCIAL STATEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

(A) Condensed interim consolidated statement of profit or loss and other comprehensive income

	Note	Group	
		6 months ended 31 December 2022	6 months ended 31 December 2021
		S$'000	S$'000
Revenue	6	**53,170**	39,102
Cost of sales		**(39,772)**	(29,405)
Gross profit		**13,398**	9,697
Other income		**2,631**	2,952
Distribution and marketing expenses		**(120)**	(111)
Administrative expenses		**(6,828)**	(5,266)
Other operating expenses		**(1,886)**	(1,465)
Finance expenses		**(770)**	(432)
Profit before income tax	8	**6,425**	5,375
Income tax	10	**(912)**	(1,026)
Net profit for the period		**5,513**	4,349
Other comprehensive income			
Item that may be reclassified to profit or loss in subsequent periods (net of tax)			
Exchange differences on translating foreign operations		**(87)**	2
Total other comprehensive income for the period		**(87)**	2
Total comprehensive income for the period		**5,426**	4,351
Net profit attributable to:			
Owners of the Company		**5,414**	4,178
Non-controlling interests		**99**	171
		5,513	4,349
Total comprehensive income attributable to:			
Owners of the Company		**5,327**	4,180
Non-controlling interests		**99**	171
		5,426	4,351
Earnings per share attributable to owners of the Company			
Basic (SGD in cents)		**13.75**	10.61
Diluted (SGD in cents)		**13.75**	10.61

(B) Condensed interim statements of financial position

		Group		Company	
	Note	31 December 2022 S$'000	30 June 2022 S$'000	31 December 2022 S$'000	30 June 2022 S$'000
ASSETS					
Current assets					
Cash and cash equivalents		**15,073**	17,789	**800**	679
Trade and other receivables		**29,379**	21,045	**11,564**	8,819
Inventories		**29,710**	29,315	**-**	-
Total current assets		**74,162**	68,149	**12,364**	9,498
Non-current assets					
Property, plant and equipment	13	**48,206**	48,251	**50**	51
Investment property	14	**5,290**	5,290	**-**	-
Right-of-use assets	15	**10,815**	11,216	**-**	-
Goodwill	16	**8,911**	7,360	**-**	-
Other intangible assets		**4**	4	**-**	-
Golf club membership		**201**	201	**201**	201
Investment in subsidiaries		**-**	-	**56,802**	56,802
Deferred tax assets		**65**	65	**-**	-
Total non-current assets		**73,492**	72,387	**57,053**	57,054
Total assets		**147,654**	140,536	**69,417**	66,552
LIABILITIES AND EQUITY					
Current liabilities					
Borrowings	17	**24,165**	21,757	**2,240**	2,240
Trade and other payables		**19,736**	18,070	**29,043**	25,980
Lease liabilities		**2,429**	1,890	**-**	-
Income tax payable		**2,477**	2,001	**-**	-
Total current liabilities		**48,807**	43,718	**31,283**	28,220
Non-current liabilities					
Borrowings	17	**10,415**	12,270	**7,653**	8,773
Lease liabilities		**10,200**	11,219	**-**	-
Deferred tax liabilities		**5,975**	6,104	**39**	39
Total non-current liabilities		**26,590**	29,593	**7,692**	8,812
Capital and reserves					
Share capital	18	**36,603**	36,603	**36,603**	36,603
Retained earnings/(Accumulated losses)		**30,535**	25,515	**(6,161)**	(7,083)
Capital reserve		**5,237**	5,237	**-**	-
Foreign currency translation reserve		**(362)**	(275)	**-**	-
Equity attributable to owners of the Company		**72,013**	67,080	**30,442**	29,520
Non-controlling interests		**244**	145	**-**	-
Total equity		**72,257**	67,225	**30,442**	29,520
Total liabilities and equity		**147,654**	140,536	**69,417**	66,552

(C) Condensed interim statements of changes in equity

Group	Note	Share capital S$'000	Retained earnings S$'000	Foreign currency translation reserve S$'000	Capital reserve S$'000	Equity attributable to owners of the Company S$'000	Non-controlling interests S$'000	Total S$'000
Balance as at 1 July 2022		36,603	25,515	(275)	5,237	67,080	145	67,225
Total comprehensive income								
Profit for the period		-	5,414	-	-	5,414	99	5,513
Other comprehensive loss		-	-	(87)	-	(87)	-	(87)
Total		-	5,414	(87)	-	5,327	99	5,426
Dividends paid	11	-	(394)	-	-	(394)	-	(394)
Balance as at 31 December 2022		36,603	30,535	(362)	5,237	72,013	244	72,257
Balance as at 1 July 2021		36,603	20,016	(338)	5,237	61,518	(116)	61,402
Total comprehensive income								
Profit for the period		-	4,178	-	-	4,178	171	4,349
Other comprehensive income		-	-	2	-	2	-	2
Total		-	4,178	2	-	4,180	171	4,351
Dividends paid	11	-	(1,575)	-	-	(1,575)	-	(1,575)
Balance as at 31 December 2021		36,603	22,619	(336)	5,237	64,123	55	64,178

Company	Note	Share capital S$'000	Accumulated losses S$'000	Total equity S$'000
Balance as at 1 July 2022		36,603	(7,083)	29,520
Total comprehensive income representing net profit for the period		-	1,316	1,316
Dividends paid	11	-	(394)	(394)
Balance as at 31 December 2022		36,603	(6,161)	30,442
Balance as at 1 July 2021		36,603	(9,210)	27,393
Total comprehensive income representing net profit for the period		-	399	399
Dividends paid	11	-	(1,575)	(1,575)
Balance as at 31 December 2021		36,603	(10,386)	26,217

(D) Condensed interim consolidated statement of cash flows

	Note	Group 6 months ended 31 December 2022 S$'000	Group 6 months ended 31 December 2021 S$'000
Cash flows from operating activities			
Profit before income tax		**6,425**	5,375
Adjustments for:			
Depreciation of property, plant and equipment	8	**2,095**	1,612
Loss/(gain) on disposal of property, plant and equipment	8	**60**	(279)
Amortisation of intangible assets		**-**	2
Depreciation of right-of-use assets	8	**852**	964
Loss allowance on trade receivables	8	**286**	200
Interest expense	8	**770**	432
Interest income		**(14)**	(11)
Operating cash flows before movement in working capital		**10,474**	8,295
Changes in working capital, net of effects from acquisition of subsidiaries			
Inventories		**664**	(2,922)
Trade and other receivables		**(7,355)**	(2,075)
Trade and other payables		**(1,478)**	16
Cash generated from operations		**2,305**	3,314
Interest paid		**(442)**	(156)
Interest received		**14**	11
Income tax paid		**(565)**	(429)
Net cash generated from operating activities		**1,312**	2,740
Cash flow from investing activities			
Purchase of property, plant and equipment	13	**(2,246)**	(2,139)
Proceeds from disposal of property, plant and equipment		**773**	1,323
Acquisition of subsidiaries, net of cash acquired	19(b)	**(1,396)**	-
Net cash used in investing activities		**(2,869)**	(816)
Cash flow from financing activities			
Payment of dividends	11	**(394)**	(1,575)
Decrease in bills payable		**(92)**	(77)
Proceeds from bank loans		**3,000**	-
Repayment of bank loans		**(2,355)**	(1,434)
Repayment of lease liabilities		**(1,359)**	(1,242)
Net cash used in financing activities		**(1,200)**	(4,328)
Net decrease in cash and cash equivalents		**(2,757)**	(2,404)
Cash and cash equivalents at beginning of the period		**17,789**	17,338
Effects of currency translation on cash and cash equivalents		**41**	2
Cash and cash equivalents at end of the period		**15,073**	14,936

(E) Selected notes to the condensed interim consolidated financial statements

1. Corporate information

Union Steel Holdings Limited (the "Company") (Registration No. 200410181W) is incorporated in Singapore with its principal place of business and registered office at 33 Pioneer Road North, Singapore 628474. The Company is listed on the Singapore Exchange securities Trading Limited. These condensed consolidated financial statements as at and for the six months financial period ended 31 December 2022 comprise the Company and its subsidiaries (collectively, the "Group").

The principal activity of the Company is that of investment holding. The principal activities of the Group are the trading in and recycling of metal and steel products in various forms. An emerging growth area is in engineering, specifically the supply of specialised equipment.

2. Basis of preparation

The condensed interim financial statements for the six months ended 31 December 2022 have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)") 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 30 June 2022.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 3.

The condensed interim financial statements are presented in Singapore dollar ("S$" or "SGD") which is the Company's functional currency and all financial information presented in Singapore dollar is rounded to the nearest thousand (S$'000) except when otherwise indicated.

Basis of preparation for going concern assumption

The condensed interim financial statements have been prepared on a going concern basis, since management has verified that there are no financial, operating or other types of indicators that might cast significant doubt upon the Group's ability to meet its obligations in the foreseeable future and particularly within the 12 months from the end of the reporting period.

3. New and amended standards adopted by the Group

The Group and the Company have adopted all the new and revised SFRS(I)s and SFRS(I) Interpretations that are relevant to its operations and effective for annual period beginning on 1 July 2022. The adoption of the new and revised standards and interpretations is assessed to have no material financial effect on the performance and financial position of the Group and of the Company for the current financial period reported on. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these new and revised standards and interpretations.

4. Use of judgements and estimates

In preparing the condensed interim consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the financial year ended 30 June 2022.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that will have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

(i) Allowance for write-down of inventories

A review is made periodically for excess inventory, obsolescence and declines in net realisable value below cost and management records an allowance against the inventory balance for any such declines. These reviews are based on current market conditions and historical experience which require management's judgement in assessing the market positioning of the Group's products and are dependent on factors such as customer specification requirements, demands and price competition in response to the industry life cycles. Possible changes in these judgements could result in revisions to the valuation of inventory.

(ii) Calculation of loss allowance

When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

(iii) Impairment of property, plant and equipment and right-of-use assets

The Group assesses whether there are any indicators of impairment for its property, plant and equipment and right-of-use assets at each reporting date. Property, plant and equipment and right-of-use assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

4. Use of judgements and estimates (Continued)

(iv) Fair value measurement of investment property

The Group's investment property is stated at estimated fair value, as accounted for by management based on independent external appraisals. The estimated fair value may differ from the price at which the Group's assets could be sold at a particular time, since actual selling prices are negotiated between willing buyers and sellers. Also, certain estimates such as overall market conditions require an assessment of factors not within management's control. As a result, actual results of operations and realisation of net assets may vary significantly from that estimate.

(v) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Based on calculations performed, management is of the view that no impairment charge is required for the financial period ended 31 December 2022 (30 June 2022: S$ Nil).

(vi) Impairment of investments in subsidiary corporations

In determining whether investments in subsidiary corporations are impaired, the Company evaluates the market and economic environment in which each subsidiary corporation operates and its economic performance to determine if indicators of impairment exist. Where such indicators exist, the subsidiary corporation's recoverable amount are determined based on value-in-use calculations. These calculations require the use of estimates and key assumptions, inter alia, future income, operating costs, capital expenditure and an appropriate discount rate to determine the extent of the impairment loss, if any. Management is of the view that no impairment charge is required for the financial period ended 31 December 2022 (30 June 2022: S$ Nil).

5. Seasonal operations

The Group's business has not been affected significantly by seasonal or cyclical factors during the six months ended 31 December 2022.

6. Segment and revenue information

The Group is organised into the following main business segments:

- Segment 1: Metals - import and export of scrap metals, waste collection services, trading and leasing of metal products;
- Segment 2: Scaffolding - provision of scaffolding services and related consultancy services;
- Segment 3: Engineering - civil construction and engineering work, manufacturing of motor vehicle bodies, mechanical construction and fabrication services and repair, commissioning, sale and rental of marine deck equipment;
- Segment 4: Others – Income from rental properties

These operating segments are reported in a manner consistent with internal reporting provided to chief operating decision maker who is responsible for allocating resources and assessing performance of the operating segments.

6.1 Reportable segments

Business segments	**Metals S$'000**	**Scaffolding S$'000**	**Engineering S$'000**	**Others S$'000**	**Total S$'000**
1 July 2022 to 31 December 2022					
External revenue	27,592	5,110	20,468	-	53,170
Reportable segment results from operating activities	3,781	2,403	2,065	198	8,447
Finance income					14
Finance costs					(770)
Unallocated corporate expenses					(1,266)
Profit before income tax					6,425
Income tax					(912)
Net profit for the period					5,513
Reportable segments assets	48,999	7,949	73,425	6,361	136,734
Goodwill					8,911
Unallocated assets					2,009
Total assets					147,654
Reportable segments liabilities	34,972	1,934	23,097	2,637	62,640
Unallocated liabilities					12,757
Total liabilities					75,397
Other material non-cash items:					
Depreciation of property, plant and equipment	517	255	1,248	75	2,095
Depreciation of right-of-use assets	641	26	185	-	852
Loss allowance on trade receivables	100	-	186	-	286

6. Segment and revenue information (Continued)

6.1 Reportable segments (Continued)

Business segments	Metals S$'000	Scaffolding S$'000	Engineering S$'000	Others S$'000	Total S$'000
1 July 2021 to 31 December 2021					
External revenue	26,659	2,796	9,647	-	39,102
Reportable segment results from operating activities	4,563	657	1,768	246	7,234
Finance income					11
Finance costs					(432)
Unallocated corporate expenses					(1,438)
Profit before income tax					5,375
Income tax					(1,026)
Net profit for the period					4,349
Reportable segments assets	51,760	6,834	65,283	7,487	131,364
Goodwill					7,360
Unallocated assets					1,812
Total assets					140,536
Reportable segments liabilities	35,784	1,460	22,685	1,458	61,387
Unallocated liabilities					11,924
Total liabilities					73,311
Other material non-cash items					
Depreciation of property, plant and equipment	654	228	651	79	1,612
Depreciation of right-of-use assets	828	25	111	-	964
Loss allowance on trade receivables	100	-	100	-	200

6.2 Disaggregation of Revenue

Geographical information (Top 5 sales by countries)	Metals S$'000	Scaffolding S$'000	Engineering S$'000	Total S$'000
1 July 2022 to 31 December 2022				
Singapore	24,439	5,110	10,514	40,063
Indonesia	2,990	-	1,821	4,811
France	-	-	3,467	3,467
China	-	-	1,446	1,446
Dubai, United Arab Emirates	-	-	844	844
Others^	163	-	2,376	2,539
Total	27,592	5,110	20,468	53,170

6. Segment and revenue information (Continued)

6.2 Disaggregation of Revenue (Continued)

Geographical information (Top 5 sales by countries)	**Metals** **S$'000**	**Scaffolding** **S$'000**	**Engineering** **S$'000**	**Total** **S$'000**
1 July 2021 to 31 December 2021				
Singapore	24,459	2,796	6,119	33,374
Malaysia	-	-	2,500	2,500
India	2,200	-	-	2,200
Netherlands	-	-	543	543
China	-	-	138	138
Others*	-	-	347	347
Total	26,659	2,796	9,647	39,102

^ Include Malaysia, Netherlands, Thailand, Brunei, Vietnam, Brazil, Middle East and etc.
* Include South Africa, Australia, Italy

Type of goods or services	**Metals** **S$'000**	**Scaffolding** **S$'000**	**Engineering** **S$'000**	**Total** **S$'000**
1 July 2022 to 31 December 2022				
Sale of goods	23,215	4	19,575	42,794
Scaffolding services	-	5,092	-	5,092
Rental of materials and equipment	3,739	-	670	4,409
Other service income	638	14	223	875
Total	27,592	5,110	20,468	53,170
1 July 2021 to 31 December 2021				
Sale of goods	22,383	9	5,949	28,341
Scaffolding services	-	2,734	-	2,734
Rental of materials and equipment	3,638	53	3,698	7,389
Other service income	638	-	-	638
Total	26,659	2,796	9,647	39,102

Timing of revenue recognition	**Metals** **S$'000**	**Scaffolding** **S$'000**	**Engineering** **S$'000**	**Total** **S$'000**
1 July 2022 to 31 December 2022				
At a point in time	23,853	18	19,798	43,669
Over time	3,739	5,092	670	9,501
Total	27,592	5,110	20,468	53,170
1 July 2021 to 31 December 2021				
At a point in time	23,021	9	5,949	28,979
Over time	3,638	2,787	3,698	10,123
Total	26,659	2,796	9,647	39,102

7. Financial assets and financial liabilities

	Group		Company	
	31 December 2022 S$'000	30 June 2022 S$'000	31 December 2022 S$'000	30 June 2022 S$'000
Financial assets				
Cash and cash equivalents	**15,073**	17,789	**800**	679
Trade and other receivables	**29,379**	21,045	**11,564**	8,819
Less: contract asset and prepayments	**(9,895)**	(7,131)	**(40)**	(24)
Financial assets at amortised cost	**34,557**	31,703	**12,324**	9,474
Financial liabilities				
Borrowings	**34,580**	34,027	**9,893**	11,013
Trade and other payables	**19,736**	18,070	**29,043**	25,980
Lease liabilities	**12,629**	13,109	**-**	-
Less: contract liabilities and advances from customers	**(4,718)**	(4,613)	**-**	-
Financial liabilities at amortised cost	**62,227**	60,593	**38,936**	36,993

8. Profit before income tax

Significant items	Group	
	6 months ended 31 December 2022 S$'000	6 months ended 31 December 2021 S$'000
Income		
Rental of leasehold properties and warehousing	**1,969**	1,754
Rental of investment property	**325**	351
Gain on disposal of property, plant and equipment	**-**	279
Government grants	**170**	320
Expenses		
Depreciation of property, plant and equipment	**2,095**	1,612
Depreciation of right-of-use assets	**852**	964
Net foreign currency exchange loss/(gain)	**125**	(42)
Interest expense	**770**	432
Loss allowance on trade receivables	**286**	200
Loss on disposal of property, plant and equipment	**60**	-

9. Related party transactions

Some of the Group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand.

Related parties comprise mainly companies which are controlled or significantly influenced by the Group's key management personnel, directors and their close family members.

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	Group	
	6 months ended 31 December 2022 S$'000	**6 months ended 31 December 2021 S$'000**
Short-term benefits	**1,430**	919
Post-employment benefits	**38**	12
	1,468	931

10. Taxation

The Group calculates the period income tax expenses using the tax rate that would be applicable to the expected total annual earnings of the period. The major components of income tax expense in the condensed interim consolidated statement of profit or loss are:

	Group	
	6 months ended 31 December 2022 S$'000	**6 months ended 31 December 2021 S$'000**
Current income tax expense	**1,103**	976
(Over)/Under provision of income tax in respect of prior years	**(62)**	50
Deferred tax expenses	**(129)**	-
	912	1,026

11. Dividends

	Group	
	6 months ended 31 December 2022 S$'000	**6 months ended 31 December 2021 S$'000**
Ordinary dividend paid:		
Final dividend in respect of the financial year ended 30 June 2022, tax exempt one-tier final cash dividend of 1.00 cent per share (FY2021: 4.00 cents per share), approved and paid during interim financial period.	**394**	1,575

12. Net Asset Value

	Group		Company	
	31 December 2022 S$'000	**30 June 2022 S$'000**	**31 December 2022 S$'000**	**30 June 2022 S$'000**
Net asset value per ordinary share	**183.49 cents**	170.71 cents	**77.31 cents**	74.97 cents

13. Property, plant and equipment

During the six months period ended 31 December 2022, the Group recognised additions in property, plant and equipment from acquisition of subsidiaries of S$1,376,000 (30 June 2022: S$17,234,000), acquired new assets amounting to S$2,302,000 (30 June 2022: S$5,282,000) including $56,000 (30 June 2022: S$ Nil) under hire purchase arrangement and disposed of assets with net book value of S$833,000 (30 June 2022: S$155,000).

14. Investment property

	Group	
	31 December 2022 S$'000	**30 June 2022 S$'000**
Beginning of the financial period/year	**5,290**	5,867
Fair value loss recognised in profit or loss	**-**	(577)
End of the financial period/year	**5,290**	5,290

14. Investment property (Continued)

Valuation processes of the Group

The fair value of the Group's investment property is determined based on valuations carried out by independent professional valuers at least once a year. As of 31 December 2022, the management is of the view that there is no significant change in the fair value of the investment property from the last assessment as at 30 June 2022 due to the short period of 6 months. The fair value derived from the independent professional valuer will be assessed at the financial year ended 30 June 2023.

15. Right-of-use assets

	Group	
	31 December 2022 S$'000	**30 June 2022 S$'000**
Cost		
Beginning of the financial period/year	**16,289**	12,937
Arising on acquisition of subsidiaries	**207**	3,070
Additions	**244**	282
Disposal	**(2,317)**	-
End of the financial period/year	**14,423**	16,289
Accumulated depreciation		
Beginning of the financial period/year	**5,073**	3,210
Depreciation charge	**852**	1,863
Disposal	**(2,317)**	-
End of the financial period/year	**3,608**	5,073
Carrying amount	**10,815**	11,216

16. Goodwill

	Group	
	31 December 2022 S$'000	**30 June 2022 S$'000**
At beginning of the financial period/year	**7,360**	5,053
Provisional goodwill arising on acquisition of subsidiaries	**1,551**	2,307
At end of the financial period/year	**8,911**	7,360

16. Goodwill (Continued)

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from that business combination. The allocation is as follows:

	Group	
	31 December 2022 S$'000	**30 June 2022 S$'000**
Scaffolding services CGU - Hock Ann Metal Scaffolding Pte Ltd	**4,603**	4,603
Engineering CGU – BTH Holdings Pte. Ltd. and its subsidiary corporation ("BTH Group") – provisional	**2,307**	2,307
Engineering CGU – Fastweld Engineering Construction Pte Ltd – provisional	**1,188**	-
Other CGUs with insignificant goodwill	**813**	450
	8,911	7,360

Goodwill is tested annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the CGUs are determined using value in use calculations, derived from the most recent financial budgets approved by management for the next five years. Key assumptions as follows:

	Estimated average growth rate		Discount rate	
	31 December 2022	**30 June 2022**	**31 December 2022**	**30 June 2022**
Scaffolding services CGU	**3.0 %**	3.0%	**9.0 %**	9.0%

Management has forecasted future cash flows taking into account the effects of COVID-19, including developments subsequent to period end. Discount rates were estimated using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs.

As at the reporting date, the fair value of the acquired assets and liabilities of BTH Group, Promoter Hydraulics Pte. Ltd., Marshal Systems Private Limited and its subsidiary corporation and Fastweld Engineering Construction Pte Ltd are still under review. The management has used the fair value which was determined based on the consideration paid after the considering the effect changes in economic circumstance since its acquisition to assess the impairment of the provisional goodwill of these newly acquired subsidiaries and concluded no impairment is required. These provisional goodwills are still subject to subsequent assessment of the purchase price allocation. Any revision to the goodwills will be presented in the latest financial reporting once such review is done.

17. Borrowings

	Group		Company	
	31 December 2022 S$'000	30 June 2022 S$'000	31 December 2022 S$'000	30 June 2022 S$'000
Amount repayable within one year or on demand				
Secured	**24,165**	21,757	**2,240**	2,240
Amount repayable after one year				
Secured	**10,415**	12,270	**7,653**	8,773

The bank borrowings are secured by leasehold land and buildings, corporate guarantees by the Company and charges over shares of a subsidiary.

Reconciliation of liabilities arising from financing activities

			Non-cash changes		
	1 July 2022	Financing cash flows	New lease liabilities	Interest accruing	31 December 2022
	S$'000	S$'000	S$'000	S$'000	S$'000
Borrowings	34,027	111	-	442	34,580
Lease liabilities	13,109	(1,359)	551	328	12,629
	47,136	(1,248)	551	770	47,209

			Non-cash changes		
	1 July 2021	Financing cash flows	New lease liabilities	Interest accruing	31 December 2021
	S$'000	S$'000	S$'000	S$'000	S$'000
Borrowings	18,938	(1,667)	-	156	17,427
Lease liabilities	11,454	(1,242)	170	276	10,658
	30,392	(2,909)	170	432	28,085

18. Share Capital

	The Group and the Company			
	31 December 2022	**30 June 2022**	**31 December 2022**	**30 June 2022**
Issued and fully paid:	Number of ordinary shares		**S$'000**	**S$'000**
At the beginning and end of the financial period/year	**39,378,100**		**36,603**	36,603

The Company did not hold any treasury shares as at 31 December 2022 and 30 June 2022.

The Company's subsidiaries did not hold any shares in the Company as at 31 December 2022 and 30 June 2022.

19. Business Combinations

On 29 July 2022, the Company's wholly owned subsidiary corporation, Transvictory Holdings Pte Ltd acquired 100% ownership interest in Promoter Hydraulics Pte. Ltd. ("Promoter") and Marshal Systems Private Limited and its wholly owned subsidiary of Marshal Offshore & Marine Engrg Co., Ltd ("Marshal Group") for a total purchase consideration of S$505,000 in cash.

On 25 November 2022, the Company's wholly owned subsidiary, Union Engineering Pte Ltd ("UEPL") acquired 100% of the issued share capital of Fastweld Engineering Construction Pte Ltd ("Fastweld") for a cash consideration of S$2,500,000, where S$1,250,000 was paid on the Completion Date and the remaining S$1,250,000 is payable on 25 November 2023.

As a result of these acquisitions, the Group's market share and performance in the engineering CGU is expected to increase and improve.

(a) Purchase consideration

Subsidiaries	**Acquisition dates**	**Purchase Consideration S$'000**
Promoter Hydraulics Pte. Ltd. ("Promoter")	27 July 2022	240
Marshal Systems Private Limited and its subsidiary corporation ("Marshal Group")	27 July 2022	265
Fastweld Engineering Construction Pte Ltd ("Fastweld")	25 November 2022	2,500

(b) Effect on cash flows of the Group

	Promoter S$'000	**Marshal S$'000**	**Fastweld S$'000**	**Total S$'000**
Consideration paid*	240	265	1,250	1,755
Less: Cash and cash equivalents in subsidiary corporation acquired	(77)	(282)	-	(359)
Cash outflow/(inflow) on acquisition	163	(17)	1,250	1,396

* As at 31 December 2022, the consideration payment made for the acquisition of Fastweld was amounted to S$1,250,000. Pursuant to the sale and purchase agreement, the rest of the consideration payable of S$1,250,000 included in trade and other payables, is due to pay on 24 November 2023, the date falling twelve months after the completion date on 25 November 2022.

19. Business Combinations (Continued)

(c) Assets and liabilities recognised as a result of the acquisition

	Promoter Provisional S$'000	Marshal Group Provisional S$'000	Fastweld Provisional S$'000
Cash and cash equivalents	77	282	-
Property, plant and equipment	5	15	1,356
Right-of-use assets	-	-	207
Inventories	10	300	-
Trade and other receivables	455	891	-
Trade and other payables	(645)	(1,248)	-
Lease liabilities	-	-	(251)
Net identifiable assets acquired	(98)	240	1,312
Add: Provisional goodwill (Note 16)	338	25	1,188
	240	265	2,500

(d) Provisional accounting of the acquisition

The acquisition of Promoter, Marshal Group and Fastweld were completed during the financial period ended 31 December 2022 and were accounted for provisionally. At the reporting date, the fair value of the acquired assets and liabilities assumed for these companies have been determined on a provisional basis as the final result of the independent valuation has not been completed and is unavailable.

The provisional goodwill is attributable to these companies' market reputation, strong customer relationships which are still subject to the subsequent assessment for the purchase price allocation. Any revision to the goodwill will be presented in the financial statements of the latest financial reporting period once such a review is done.

20. Subsequent Events

On 3 February 2023, the Group together with Mr. Low Keng Kee, Sebastian entered into a sale and purchase agreement with a non-related third party to dispose of the entire issued and paid-up share capital in Megafab Engineering Pte Ltd for a consideration of S$3,000,000. The Group owns 70% of the issued and paid-up share capital and Low Keng Kee, Sebastian owns the remaining 30%. The disposal was completed on the same day.

(F) Other information required by Listing Rule Appendix 7.2

1. Review

The condensed consolidated statement of financial position of Union Steel Holding Limited and its subsidiaries as at 31 December 2022 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and certain explanatory notes have not been audited or reviewed.

2. Review of performance of the Group

1HFY2023 (six months ended 31 December 2022) vs 1HFY2022 (six months ended 31 December 2021)

<u>Statements of Comprehensive Income</u>

Revenue	**1HFY2023**	**1HFY2022**	+/ (-)	+/ (-)
	S$'million	S$'million	S$'million	%
Metals	27.6	26.7	0.9	3
Scaffolding	5.1	2.8	2.3	82
Engineering	20.5	9.6	10.9	114
	53.2	39.1	14.1	36

The Group's revenue increased by 36% or S$14.1 million in 1HFY2023 (vis-à-vis 1HFY2022) mainly attributable to the growth in the scaffolding and the engineering segments. Sustained strength within the construction sector and some backlog of workloads impacted by the COVID-19 outbreak since 2020 led to the increased demand in scaffolding services. The Group expanded into complementary business segments within the marine, offshore and oil & gas industries since FY2022. The acquisition of BTH Group in May 2022, Promoter and Marshal Group in July 2022 and Fastweld in November 2022 diversified the Group's revenue streams and contributed to the large revenue increase from the Engineering segment. Within the metal sector, the pricing for both new steel and scrap metal experienced some softening recently.

Geographical information

Geographically, Singapore remains the main contributor to the Group's revenue, accounting for 75% or S$40.1 million of the Group's revenue in 1HFY2023 compared to 1HFY2022 of 85% or S$33.4 million. Sales from overseas increased to S$13.1 million in 1HFY2023 from 1HFY2022 of S$5.7 million mainly due to the business expansion as mentioned above through acquisitions in FY2022. These expansion into the engineering segment within the marine, offshore and oil & gas industries not only diversified the Group's revenue streams but also widened the sales markets to other countries.

Gross profit margin

The Group's gross profit jumped 38.2% to S$13.4 million in 1HFY2023 (vis-à-vis 1HFY2022 of S$9.7 million) due mainly to the higher revenue. The gross profit margin slightly increased by 0.4% from 24.8% in 1HFY2022 to 25.2% in 1HFY2023 mainly due to the performance improvement from the scaffolding segment.

2. Review of performance of the Group (Continued)

<u>Statements of Comprehensive Income (continued)</u>

Other income

The higher other income in 1HFY2022 of S$2.9 million compared to S$2.6 million in 1HFY2023 was mainly due to a gain of S$0.3 million from disposal of fixed assets in 1HFY2022.

Administrative expenses

Administrative expenses increased 30% from S$5.3 million in 1HFY2022 to S$6.8 million in 1HFY2023, mainly due to the incorporation of expenses incurred by newly acquired subsidiaries of S$1.4 million and slight increase in staff cost of S$0.1 million.

Other operating expenses

Other operating expenses rose 29%, from S$1.5 million in 1HFY2022 to S$1.9 million in 1HFY2023, mainly due to short-term operating leases expenses of S$0.3 million and a loss on disposal of fixed assets of $0.1 million.

Finance expenses

Finance expenses rose 78%, from S$0.43 million in 1HFY2022 to S$0.77 million in 1HFY2023 mainly due to the loan obtained for business acquisition since May 2022 and interest rate hike since June 2022 with the interest rate raised from the range of 1.5% to 3.1% in 1HFY2022 to the range of 2.75% to 5.5% in 1HFY2023.

Tax expenses

Tax expenses decreased by S$0.1 million due to the reversal of over tax provision made for prior years and a credit of deferred tax on fair value adjustment for the financial period.

<u>Review of Financial Position</u>

Statement of Financial Position as at 31 December 2022

<u>Assets</u>

Slight decrease in property, plant and equipment was mainly due to depreciation charges of S$2.1 million and assets disposal of S$1.6 million partly offset by purchase of new assets of S$2.3 million and additions from newly acquired business of S$1.4 million.

Decrease in right-of-use assets of S$0.4 million was mainly due to depreciation charges.

Increase in trade and other receivables of S$8.3 million was due to 1) the increase in trade receivables of S$2.8 million for higher sales from scaffolding and engineering segments and newly acquired businesses, 2) more projects from the engineering segment that resulted in higher accrued revenue for progress claims of S$4.2 million and 3) prepayment made for purchase of materials of S$1.3 million.

2. Review of performance of the Group (Continued)

<u>Review of Financial Position (Continued)</u>

Statement of Financial Position as at 31 December 2022 (Continued)

<u>Assets (Continued)</u>

Slight increase in inventories of S$0.4 million was mainly attributable to the recent acquisition of businesses in the engineering segment.

<u>Liabilities</u>

Increase in bank borrowings of S$0.6 million was due to the increase in short-term borrowings and bills payable of S$3 million to support the increase of projects in engineering segment, partly net off by the repayment of term loan and bill payables of S$2.4 million.

Decrease in lease liabilities of S$0.5 million was due to the repayment of S$1 million partly offset by the increase of S$0.5 million from newly acquired business and new additions from operation.

Increase in income tax payables of S$0.5 million was due to the increased provision made for the profit made in current financial period.

Statement of Cash Flows

Decrease in net cash generated from operating activities to S$1.3 million in 1HFY2023 from 1HFY2022 of S$2.7 million was due to more purchases activities and payment made for higher volume of projects from engineering segment. The accrued income increased correspondently where collection from customer has to follow the scheduled progressive claim. These have resulted in higher outflows of working capital.

Net cash used in investing activities for 1HFY2023 was mainly attributed to the replacement of retired rental materials as well as net cash outflows incurred for acquisition of new subsidiaries.

Net cash used in financing activities amounted to S$1.2 million in 1HFY2023, mainly due to the repayment of borrowings and lease liabilities and payment for dividends totaling to S$4.2 million partly offset by the new loans draw down of S$3.0 million.

The Group's cash and cash equivalents increased S$0.1 million compared to corresponding period. However, 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) had increased to 27.0% as at 31 December 2022 from 3.9% in the corresponding period which was mainly due to the additional acquisition loan borrowed for the purchase of new business in May 2022.

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

Not applicable.

4. A commentary at the date of the announcement of the significant trends and 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

Within the metal sector, the pricing for both new steel and scrap metal saw some softening recently after the price surge since FY2021. The Group remains cautiously optimistic on the division's performance. We aim to maintain our sales volume with the continued focus on steel leasing, logistics and warehousing services.

Scaffolding services has rebounded after COVID-19 with a strong level of construction demand and some backlog of remaining workloads impacted by the COVID-19 outbreak since 2020 that led to the increased demand in scaffolding services. The outlook is positive over the near term.

Engineering wise, the Group continues to move up the supply chain and to harness operational synergy between its subsidiaries. With the acquisition of Promoter, Marshal and Fastweld during this reporting period, the Group is well positioned to expand into the marine, offshore and oil & gas industries. Combined with its other subsidiaries providing sophisticated marine deck equipment and mechanical engineering products, the Group is poised to access and explore new regional markets, and has plans to expand its product range to widen its market share in the industrial and marine & offshore sectors.

5. 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?

Yes. A tax exempt one-tier final cash dividend of Singapore Dollar of 1.00 cents per share was declared in respect of the full financial year ended 30 June 2022.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

6. Interested person transactions

The Group does not have a general mandate from shareholders of the Company for Interested Person Transactions.

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

The Company has received 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 SGX-ST.

8. 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 period ended 31 December 2022, to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

ANG YU SENG
Executive Chairman and Chief Executive Officer
13 February 2023