



**UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE SECOND FINANCIAL QUARTER (“Q2FY2019”) AND HALF YEAR FINANCIAL PERIOD ENDED 31 DECEMBER 2018 (“H1FY2019”) 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			The Group		
	Q2FY2019 S\$'000	Q2FY2018 S\$'000	% Change	H1FY2019 S\$'000	H1FY2018 S\$'000	% Change
<b>Revenue</b>	<b>14,874</b>	16,964	(12)	<b>32,434</b>	36,606	(11)
Cost of sales	<b>(12,372)</b>	(13,666)	(9)	<b>(27,150)</b>	(29,624)	(8)
<b>Gross profit</b>	<b>2,502</b>	3,298	(24)	<b>5,284</b>	6,982	(24)
Other income	<b>1,243</b>	1,102	13	<b>2,324</b>	2,271	2
Distribution and marketing expenses	<b>(103)</b>	(124)	(17)	<b>(214)</b>	(224)	(4)
Administrative expenses	<b>(2,428)</b>	(2,399)	1	<b>(4,764)</b>	(5,201)	(8)
Other operating expenses	<b>(953)</b>	(1,457)	(35)	<b>(2,077)</b>	(2,873)	(28)
<b>Profit from operations</b>	<b>261</b>	420	(38)	<b>553</b>	955	(42)
Finance costs	<b>(257)</b>	(265)	(3)	<b>(516)</b>	(537)	(4)
<b>Profit before taxation</b>	<b>4</b>	155	(97)	<b>37</b>	418	(91)
Income tax	<b>180</b>	132	36	<b>192</b>	92	109
<b>Profit after taxation</b>	<b>184</b>	287	(36)	<b>229</b>	510	(55)
<b>Profit attributable to:-</b>						
Owners of the Company	<b>224</b>	331	(32)	<b>311</b>	569	(45)
Non-controlling interests	<b>(40)</b>	(44)	(9)	<b>(82)</b>	(59)	39
	<b>184</b>	287	(36)	<b>229</b>	510	(55)

“Q2FY2019” denotes the second financial quarter of the financial year ended 31 December 2018 (“FY2019”).

“H1FY2019” denotes the first half financial year of FY2019.

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

“H1FY2018” denotes the first half financial year of 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			The Group		
	Q2FY2019 S\$'000	Q2FY2018 S\$'000	% Change	H1FY2019 S\$'000	H1FY2018 S\$'000	% Change
Profit for the period	184	287	(36)	229	510	(55)
Exchange differences on translating foreign operations	(4)	-	NM	(16)	-	NM
Other comprehensive income, net of tax	(4)	-	NM	(16)	-	NM
Total comprehensive income for the period	180	287	(37)	213	510	(58)
Total comprehensive income attributable to:-						
Owners of the Company	220	331	(34)	295	569	(48)
Non-controlling interest	(40)	(44)	(9)	(82)	(59)	39
	180	287	(37)	213	510	(58)

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

	The Group			The Group		
	Q2FY2019 S\$'000	Q2FY2018 S\$'000	% Change	H1FY2019 S\$'000	H1FY2018 S\$'000	% Change
Profit before income tax has been arrived at after charging/(crediting)						
Depreciation of property, plant and equipment	1,257	1,461	(14)	2,629	2,868	(8)
Amortisation of intangible assets	1	-	NM	2	-	NM
Net foreign currency exchange loss	2	89	(98)	26	188	(86)
Gain on disposal of property, plant and equipment	(194)	(23)	743	(85)	(22)	286
Interest income	(22)	(16)	38	(43)	(29)	48
Interest expense	257	265	(3)	516	537	(4)
Bad debts recovered	(35)	-	NM	(65)	(48)	35
Allowance for doubtful debts	65	118	(45)	65	254	(74)



**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 2018 S\$'000	As at 30 June 2018 S\$'000	As at 31 December 2018 S\$'000	As at 30 June 2018 S\$'000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	12,853	18,266	1,358	879
Trade and other receivables	13,560	15,124	5,550	6,346
Inventories	26,647	23,840	-	-
Total current assets	53,060	57,230	6,908	7,225
<b>Non-current assets</b>				
Property, plant and equipment	37,822	39,392	136	155
Other intangible assets	18	-	-	-
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	58,289	59,841	55,439	55,458
<b>Total assets</b>	<b>111,349</b>	<b>117,071</b>	<b>62,347</b>	<b>62,683</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities</b>				
Bank loans and bills payable	30,021	30,192	1,752	1,752
Trade and other payables	7,666	11,558	27,333	27,660
Finance leases	80	122	-	-
Income tax payable	293	456	-	-
Total current liabilities	38,060	42,328	29,085	29,412
<b>Non-current liabilities</b>				
Bank loans	3,470	4,620	3,064	3,949
Finance leases	7	12	-	-
Deferred tax liabilities	3,081	3,120	39	39
Total non-current liabilities	6,558	7,752	3,103	3,988
<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	(334)	(318)	-	-
Retained earnings/(Accumulated losses)	25,043	25,205	(6,444)	(7,320)
Equity attributable to owners of the company	66,549	66,727	30,159	29,283
Non-controlling interests	182	264	-	-
Total equity	66,731	66,991	30,159	29,283
<b>Total liabilities and equity</b>	<b>111,349</b>	<b>117,071</b>	<b>62,347</b>	<b>62,683</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.

	<b>The Group</b>	
	<b>As at 31 December 2018 S\$'000</b>	<b>As at 30 June 2018 S\$'000</b>
Amount repayable in one year or less or on demand		
Unsecured	<b>27,868</b>	27,346
Secured	<b>2,153</b>	2,846
<b>Total</b>	<b>30,021</b>	<b>30,192</b>
Amount repayable after one year		
Unsecured	<b>405</b>	671
Secured	<b>3,065</b>	3,949
<b>Total</b>	<b>3,470</b>	<b>4,620</b>

#### **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.**

	<b>The Group</b>			
	<b>Q2FY2019</b> S\$'000	<b>Q2FY2018</b> S\$'000	<b>H1FY2019</b> S\$'000	<b>H1FY2018</b> S\$'000
<b>Operating activities</b>				
Profit before income tax	4	155	37	418
Adjustments for:				
Depreciation of property, plant and equipment	1,257	1,461	2,629	2,868
Gain on disposal of property, plant and equipment	(194)	(23)	(85)	(22)
Amortisation of intangible assets	1	-	2	-
Bad debts recovered	(35)	-	(65)	(48)
Allowance for doubtful debts	65	118	65	254
Assets written off	-	274	-	274
Interest expense	257	265	516	537
Interest income	(22)	(16)	(43)	(29)
Operating cash flows before movement in working capital	<b>1,333</b>	2,234	<b>3,056</b>	4,252
Inventories	(5,743)	2,480	(3,158)	6,186
Trade and other receivables	497	374	1,564	796
Trade and other payables	(651)	(307)	(3,892)	(1,345)
Cash (used in)/generated from operations	<b>(4,564)</b>	4,781	<b>(2,430)</b>	9,889
Interest paid	(257)	(265)	(516)	(537)
Interest received	22	16	43	29
Income tax (paid)/credit	(10)	107	(10)	105
<b>Net cash (used in)/generated from operating activities</b>	<b>(4,809)</b>	4,639	<b>(2,913)</b>	9,486
<b>Investing activities</b>				
Purchase of property, plant and equipment	(379)	(924)	(2,173)	(1,191)
Proceeds from disposal of property, plant and equipment	1,188	66	1,531	73
<b>Net cash generated from/(used in) investing activities</b>	<b>809</b>	(858)	<b>(642)</b>	(1,118)
<b>Financing activities</b>				
Proceeds from bank loans	-	2,341	2,500	2,341
Repayment of bank loans	(1,013)	(4,478)	(4,581)	(10,126)
Increase in bills payable	2,827	-	760	-
Repayment of finance leases	(21)	(25)	(47)	(47)
Dividend paid	(473)	-	(473)	-
<b>Net cash generated from/(used in) financing activities</b>	<b>1,320</b>	(2,162)	<b>(1,841)</b>	(7,832)
Net change in cash and cash equivalents	<b>(2,680)</b>	1,619	<b>(5,396)</b>	536
Effect of exchange rate changes on cash and cash equivalents	(3)	-	(17)	-
Cash and cash equivalents at beginning of the period	<b>15,536</b>	19,859	<b>18,266</b>	20,942
<b>Cash and cash equivalents at end of the period</b>	<b>12,853</b>	21,478	<b>12,853</b>	21,478



**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>	Share capital S\$' 000	Retained earnings S\$' 000	Translation reserve S\$' 000	Capital reserve S\$' 000	Equity attributable to owners of the Company S\$' 000	Non-controlling interest S\$' 000	Total S\$' 000
<i>Balance as at 1 July 2018</i>							
Total comprehensive income	36,603	25,205	(318)	5,237	66,727	264	66,991
Profit for the period	-	311	-	-	311	(82)	229
Other comprehensive income	-	-	(16)	-	(16)	-	(16)
Total	-	311	(16)	-	295	(82)	213
Transactions with owners, recognised directly in equity							
Non-controlling interest arising from acquisition of a subsidiary	-	-	-	-	-	-	-
Dividends	-	(473)	-	-	(473)	-	-
	-	(473)	-	-	(473)	-	(473)
<i>Balance as at 31 December 2018</i>	<b>36,603</b>	<b>25,043</b>	<b>(334)</b>	<b>5,237</b>	<b>66,549</b>	<b>182</b>	<b>66,731</b>
<i>Balance as at 1 July 2017</i>							
Total comprehensive income	36,603	24,236	(338)	5,237	65,738	448	66,186
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>	<b>36,603</b>	<b>24,805</b>	<b>(338)</b>	<b>5,237</b>	<b>66,307</b>	<b>389</b>	<b>66,696</b>
<b>Company</b>	Share capital S\$' 000	Accumulated losses S\$' 000	Total equity S\$' 000				
<i>Balance as at 1 July 2018</i>	36,603	(7,320)	29,283				
Total comprehensive income	-	1,349	1,349				
Dividends	-	(473)	(473)				
<i>Balance as at 31 December 2018</i>	<b>36,603</b>	<b>(6,444)</b>	<b>30,159</b>				
<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>	<b>36,603</b>	<b>(6,929)</b>	<b>29,674</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, 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.**

There were no changes in the share capital since the end of the previous period reported on.

There were no treasury shares held as at 31 December 2018 (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.**

	Number of shares	
	As at 31 December 2018	As at 30 June 2018
Total number of issued shares	39,378,100	39,378,100
Treasury shares and subsidiary holdings	-	-
Total number of issued shares excluding treasury shares and subsidiary holdings	39,378,100	39,378,100

**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	
	H1FY2019	H1FY2018
	S\$'000	S\$'000
<b>Profit attributable to shareholders</b>	<b>311</b>	<b>569</b>
<b>Profit per share</b>		
Basic (Singapore cents)	<b>0.79 cents*</b>	<b>1.40 cents**</b>
Diluted (Singapore cents)	<b>0.79 cents*</b>	<b>1.40 cents**</b>

\* Basic and diluted earnings per share for H1FY2019 is computed based on profit 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.

\*\* 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.

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

	<b>The Group</b>		<b>The Company</b>	
	<b>As at 31 December 2018 S\$'000</b>	<b>As at 30 June 2018 S\$'000</b>	<b>As at 31 December 2018 S\$'000</b>	<b>As at 30 June 2018 S\$'000</b>
Net asset value as at the respective balance sheet dates	<b>66,549</b>	66,727	<b>30,159</b>	29,283
Net asset value per ordinary share based on issued share capital as at the respective balance sheet dates (Singapore cents)	<b>169.0 cents</b>	169.5 cents	<b>76.6 cents</b>	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 H1FY2019 (compared to that of H1FY2018) and for Q2FY2019 (compared to that of Q2FY2018)**



The Group's revenue decreased by 11.4% in H1FY2019 (vis-à-vis H1FY2018) and by 12.3% in Q2FY2019 (vis-à-vis Q2FY2018), due principally to lower contribution from recycling and land transport business, offset by a higher revenue generated from the business of leasing metal materials.

The gross profit margin decreased from 19.1% in H1FY2018 to 16.3% in H1FY2019 due mainly to recycling, new steel trading and construction related businesses commanding lesser profit margins as a result of volatile steel prices and intense competition. The Group's gross profit, therefore, decreased by 24.3% in H1FY2019 (vis-à-vis H1FY2018) and by 24.1% in Q2FY2019 (vis-à-vis Q2FY2018).

The Group's other operating income increased by 2.3% in H1FY2019 (vis-à-vis H1FY2018) and by 12.8% in Q2FY2019 (vis-à-vis Q2FY2018) due mainly to gains from the disposal of fixed assets.

Administrative expenses decreased by 8.4% in H1FY019 (vis-a-vis H1FY018), benefitting from the disposal of a subsidiary in Q3FY2018, streamlining of the land transport business and a fall in depreciation expenses.

Decrease in other operating expenses is attributable to lower land rent following the termination of a property lease in Q3FY018.

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

**(b) Review of financial position of the Group as at 31 December 2018 compared to that as at 30 June 2018**

The decrease in trade and other receivables was mainly due to lower sales contribution across the group's businesses.

The increase in inventory was mainly attributable to higher purchase in Q2FY2019. The purchase of inventories are mainly financed by banking facilities, which was partly responsible for the fall in trade and other payables. The other reason for the drop in trade and other payables was due to reduced advances from customers.

The Group's cash and cash equivalents decreased by \$5.4m compared to 30 June 2018 mainly due to the acquisition of fixed assets and repayment of bank term loans.

Accordingly, the Group's net gearing ratio (defined as the ratio of aggregate of interest bearing loans net of cash and bank balance to total equity) increased to 31.0% as at 31 December 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, civil



construction 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 construction related business is similarly facing pricing pressure as demand has turned sluggish in tandem with the economy. The Group continues to work on harnessing more synergies between the various businesses to improve efficiency.

#### **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 six month financial period ended 31 December 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.



**UNION STEEL** HOLDINGS LIMITED

Co Reg. No.: 200410181W

**BY ORDER OF THE BOARD**

**ANG YU SENG**

Executive Chairman and Chief Executive Officer

13 February 2019