



UEN 200410181W

UNION STEEL HOLDINGS LIMITED

友联钢铁控股有限公司

33 Pioneer Road North Singapore 628474 Tel : (65) 6861 9833 Fax: (65) 6862 9833
GST Reg. No: 20-0410181W

CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

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CONDENSED INTERIM FINANCIAL STATEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

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

	Note	Group	
		6 months ended 31 December 2023 S\$'000	6 months ended 31 December 2022 S\$'000
Revenue	6	53,530	53,170
Cost of sales		(36,676)	(39,772)
Gross profit		16,854	13,398
Other income		3,285	2,631
Distribution and marketing expenses		(138)	(120)
Administrative expenses		(8,831)	(6,828)
Other operating expenses		(1,986)	(1,886)
Finance costs		(794)	(770)
Profit before income tax	8	8,390	6,425
Income tax	10	(1,350)	(912)
Net profit for the period		7,040	5,513
Other comprehensive income			
<u>Item that may be reclassified to profit or loss in subsequent periods (net of tax)</u>			
Exchange differences on translation of foreign operations		(5)	(87)
Total other comprehensive income for the period		(5)	(87)
Total comprehensive income for the period		7,035	5,426
Net profit attributable to:			
Owners of the Company		7,040	5,414
Non-controlling interests		*	99
		7,040	5,513
Total comprehensive income attributable to:			
Owners of the Company		7,035	5,327
Non-controlling interests		*	99
		7,035	5,426
Earnings per share attributable to owners of the Company			
Basic (SGD in cents)		17.88	13.75
Diluted (SGD in cents)		17.88	13.75

* Less than S\$1,000



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(B) Condensed interim statements of financial position

	Note	Group		Company	
		31 December 2023 S\$'000	30 June 2023 S\$'000	31 December 2023 S\$'000	30 June 2023 S\$'000
ASSETS					
Current assets					
Cash and cash equivalents		14,668	22,725	559	687
Trade and other receivables		42,622	34,700	9,063	11,547
Inventories		26,679	25,422	-	-
Total current assets		83,969	82,847	9,622	12,234
Non-current assets					
Property, plant and equipment	13	49,248	49,127	139	87
Investment property	14	4,923	4,923	-	-
Right-of-use assets	15	10,715	11,784	-	-
Goodwill	16	7,699	7,699	-	-
Golf club membership		201	201	201	201
Other intangible assets	17	309	463	-	-
Investment in subsidiaries	20	-	-	56,494	56,494
Deferred tax assets		65	65	-	-
Total non-current assets		73,160	74,262	56,834	56,782
Total assets		157,129	157,109	66,456	69,016
LIABILITIES AND EQUITY					
Current liabilities					
Borrowings	18	21,268	18,223	2,240	2,240
Trade and other payables		24,162	29,972	8,556	28,318
Lease liabilities		2,489	2,523	-	-
Income tax payable		3,637	2,800	-	-
Total current liabilities		51,556	53,518	10,796	30,558
Non-current liabilities					
Borrowings	18	6,912	8,681	5,579	6,663
Lease liabilities		10,050	11,087	-	-
Deferred tax liabilities		5,899	6,177	39	39
Total non-current liabilities		22,861	25,945	5,618	6,702
Capital and reserves					
Share capital	19	36,603	36,603	36,603	36,603
Retained earnings/(Accumulated losses)		41,195	36,124	13,439	(4,847)
Capital reserve		5,237	5,237	-	-
Foreign currency translation reserve		(323)	(318)	-	-
Equity attributable to owners of the Company		82,712	77,646	50,042	31,756
Non-controlling interests		*	*	-	-
Total equity		82,712	77,646	50,042	31,756
Total liabilities and equity		157,129	157,109	66,456	69,016

* Less than S\$1,000



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(C) Condensed interim statements of changes in equity

Group	Note	Share capital	Foreign currency translation reserve	Capital reserve	Retained earnings	Equity attributable to owners of the Company	Non-controlling interests	Total
		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<i>Balance as at 1 July 2023</i>		36,603	(318)	5,237	36,124	77,646	*	77,646
Total comprehensive income								
Net profit for the period		-	-	-	7,040	7,040	*	7,040
Other comprehensive income		-	(5)	-	-	(5)	*	(5)
Total		-	(5)	-	7,040	7,035	*	7,035
Dividends paid	11	-	-	-	(1,969)	(1,969)	-	(1,969)
<i>Balance as at 31 December 2023</i>		<u>36,603</u>	<u>(323)</u>	<u>5,237</u>	<u>41,195</u>	<u>82,712</u>	<u>*</u>	<u>82,712</u>

<i>Balance as at 1 July 2022</i>		36,603	(275)	5,237	25,515	67,080	145	67,225
Total comprehensive income								
Net profit for the period		-	-	-	5,414	5,414	99	5,513
Other comprehensive income		-	(87)	-	-	(87)	*	(87)
Total		-	(87)	-	5,414	5,327	99	5,426
Dividends paid	11	-	-	-	(394)	(394)	-	(394)
<i>Balance as at 31 December 2022</i>		<u>36,603</u>	<u>(362)</u>	<u>5,237</u>	<u>30,535</u>	<u>72,013</u>	<u>244</u>	<u>72,257</u>

Company	Note	Share capital	(Accumulated losses) / Retained earnings	Total equity
		S\$'000	S\$'000	S\$'000
<i>Balance as at 1 July 2023</i>		36,603	(4,847)	31,756
Total comprehensive income representing net profit for the period		-	20,255	20,255
Dividends paid	11	-	(1,969)	(1,969)
<i>Balance as at 31 December 2023</i>		<u>36,603</u>	<u>13,439</u>	<u>50,042</u>
<i>Balance as at 1 July 2022</i>		36,603	(7,083)	29,520
Total comprehensive income representing net profit for the period		-	1,316	1,316
Dividends paid	11	-	(394)	(394)
<i>Balance as at 31 December 2022</i>		<u>36,603</u>	<u>(6,161)</u>	<u>30,442</u>

* Less than S\$1,000



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(D) Condensed interim consolidated statement of cash flows

	Note	Group	
		6 months ended 31 December 2023	6 months ended 31 December 2022
		S\$'000	S\$'000
Cash flows from operating activities			
Profit before income tax		8,390	6,425
Adjustments for:			
Amortisation of other intangible assets	8	154	-
Depreciation of property, plant and equipment	8	2,352	2,095
Depreciation of right-of-use assets	8	1,080	852
(Gain)/loss on disposal of property, plant and equipment	8	(83)	60
Reversal of impairment loss on contract assets	8	(275)	-
Loss allowance on financial assets at amortised cost	8	57	286
Interest expense	8	794	770
Interest income	8	(64)	(14)
Operating cash flows before movement in working capital		12,405	10,474
Changes in working capital, net of effects from acquisition of subsidiaries			
Trade and other receivables		(7,704)	(7,355)
Inventories		(301)	664
Trade and other payables		(4,555)	(1,478)
Cash generated from operations		(155)	2,305
Income tax paid		(791)	(565)
Interest received		64	14
Net cash (used in)/generated from operating activities		(882)	1,754
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired [#]		(1,250)	(1,396)
Purchase of property, plant and equipment	13	(3,435)	(2,246)
Proceeds from disposal of property, plant and equipment		202	773
Net cash used in investing activities		(4,483)	(2,869)
Cash flows from financing activities			
Payment of dividends	11	(1,969)	(394)
Decrease in bills payable		(782)	(1,329)
Proceeds from bank loans		4,300	3,000
Repayment of bank loans		(2,721)	(1,560)
Repayment of lease liabilities		(1,510)	(1,359)
Net cash used in financing activities		(2,682)	(1,642)
Net decrease in cash and cash equivalents		(8,047)	(2,757)
Cash and cash equivalents at beginning of the period		22,725	17,789
Effects of currency translation on cash and cash equivalents		(10)	41
Cash and cash equivalents at end of the period		14,668	15,073

[#] During the financial period ended 31 December 2023, the Group made a payment of S\$1,250,000 as deferred purchase consideration to the former owners of a subsidiary that was acquired on 25 November 2022.



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(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 2023 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 disclosed in Note 20 to the financial statements.

2. Basis of preparation

The condensed interim financial statements for the six months ended 31 December 2023 have been prepared in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I)s”) 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 financial year ended 30 June 2023.

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 2023. 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.



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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 2023.

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) Revenue from mechanical construction and fabrication service

Revenue from mechanical construction and fabrication service is recognised over time by reference to the Group's progress towards completing the contract. The measure of progress is determined based on the proportion of contracts costs incurred to date to the estimated total contract costs. Management has to estimate the total contract costs to complete, which are used in the input method to determine the Group's recognition of contract revenue. When it is probable that the total contract costs will exceed the total contract revenue, a provision for onerous contracts is recognised immediately. Significant judgement is used to estimate these total contract costs to complete. In making these estimates, management has relied on past experience.

(ii) Write-down of inventories

A review is made periodically for excess inventory, obsolescence and declines in net realisable value below cost and management records write-down 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.

(iii) Calculation of loss allowance on trade receivables

When measuring expected credit loss on trade receivables, the Group uses a provision matrix which is estimated based on historical credit loss experience on the past due status of the receivables, adjusted as appropriate to reflect the current conditions and estimates of future economic conditions. The reasonable and supportable estimates of future economic conditions used 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 expected credit loss. 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.



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4. Use of judgements and estimates (continued)

(iv) 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 management to estimate the future cash flows 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 six months financial period ended 31 December 2023.

(v) Impairment of property, plant and equipment, right-of-use assets and other intangible assets

The Group assesses whether there are any indicators of impairment for its property, plant and equipment, right-of-use assets and other intangible assets at each reporting date. Property, plant and equipment, right-of-use assets and other intangible 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 estimates the expected future cash flows from the asset or cash-generating unit and uses a suitable discount rate in order to calculate the present value of those cash flows.

(vi) Fair value measurement of investment property

The Group's investment property is stated at estimated fair value, determined by independent external appraisals or management internally. 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.

(vii) Impairment of investment in subsidiaries

In determining whether investment in subsidiaries are impaired, the Company evaluates the market and economic environment in which each subsidiary operates and its economic performance to determine if indicators of impairment exist. Where such indicators exist, the subsidiary's recoverable amount is 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. Based on the value in use calculations, management is of the view that no impairment charge is required for the six months financial period ended 31 December 2023.

5. Seasonal operations

The Group's business has not been affected significantly by seasonal or cyclical factors during the six months financial period ended 31 December 2023.



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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 2023 to 31 December 2023					
External revenue	20,986	4,565	27,979	-	53,530
Reportable segment results from operating activities	4,906	1,434	3,986	501	10,827
Finance income					64
Finance costs					(794)
Unallocated corporate expenses					(1,707)
Profit before income tax					8,390
Income tax					(1,350)
Net profit for the period					7,040
Reportable segments assets	49,826	12,521	85,972	5,966	154,285
Unallocated assets					2,844
Total assets					157,129
Reportable segments liabilities	31,949	1,638	28,193	1,325	63,105
Unallocated liabilities					11,312
Total liabilities					74,417
<u>Other material non-cash items:</u>					
Amortisation of other intangible assets	-	-	154	-	154
Depreciation of property, plant and equipment	607	274	1,388	83	2,352
Depreciation of right-of-use assets	721	25	321	13	1,080
Reversal of impairment loss on contract assets	-	-	(275)	-	(275)



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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 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	12,552	77,733	6,361	145,645
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
<u>Other material non-cash items:</u>					
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 financial assets at amortised cost	100	-	186	-	286

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 2023 to 31 December 2023				
Singapore	19,002	4,565	18,762	42,329
India	1,557	-	754	2,311
Dubai, United Arab Emirates	-	-	2,255	2,255
China	-	-	1,544	1,544
Belgium	-	-	1,505	1,505
Others^	427	-	3,159	3,586
Total	20,986	4,565	27,979	53,530

^ Include Malaysia, Brunei, France, Mexico, Vietnam and etc.



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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 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

* Include Malaysia, Netherlands, Thailand, Brunei, Vietnam, Brazil, Middle East and etc.

Type of goods or services	Metals S\$'000	Scaffolding S\$'000	Engineering S\$'000	Total S\$'000
1 July 2023 to 31 December 2023				
Sale of goods	15,689	37	6,343	22,069
Scaffolding services	-	4,524	-	4,524
Rental of materials and equipment	4,671	4	1,220	5,895
Mechanical construction and fabrication service	-	-	8,808	8,808
Engineering and metal services	626	-	11,608	12,234
Total	20,986	4,565	27,979	53,530

1 July 2022 to 31 December 2022				
Sale of goods	23,215	4	10,026	33,245
Scaffolding services	-	5,092	-	5,092
Rental of materials and equipment	3,739	-	670	4,409
Mechanical construction and fabrication service	-	-	6,451	6,451
Engineering and metal services	638	14	3,321	3,973
Total	27,592	5,110	20,468	53,170

Timing of revenue recognition	Metals S\$'000	Scaffolding S\$'000	Engineering S\$'000	Total S\$'000
1 July 2023 to 31 December 2023				
At a point in time	16,315	37	15,204	31,556
Over time	4,671	4,528	12,775	21,974
Total	20,986	4,565	27,979	53,530

1 July 2022 to 31 December 2022				
At a point in time	23,853	18	10,091	33,962
Over time	3,739	5,092	10,377	19,208
Total	27,592	5,110	20,468	53,170



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7. Financial assets and financial liabilities

	Group		Company	
	31 December 2023 S\$'000	30 June 2023 S\$'000	31 December 2023 S\$'000	30 June 2023 S\$'000
Financial assets				
Cash and cash equivalents	14,668	22,725	559	687
Trade and other receivables	42,622	34,700	9,063	11,547
Less: contract assets, advance billing from suppliers and prepayments	(13,368)	(10,349)	(36)	(28)
Financial assets at amortised cost	43,922	47,076	9,586	12,206
Financial liabilities				
Borrowings	28,180	26,904	7,819	8,903
Trade and other payables	24,162	29,972	8,556	28,318
Lease liabilities	12,539	13,610	-	-
Less: rental billed in advance and contract liabilities	(6,225)	(3,466)	-	-
Financial liabilities at amortised cost	58,656	67,020	16,375	37,221

8. Profit before income tax

Significant items

	Group	
	6 months ended 31 December 2023 S\$'000	6 months ended 31 December 2022 S\$'000
Income		
Gain on disposal of property, plant and equipment	83	-
Government grants	148	170
Rental of leasehold properties and logistics services	2,010	1,969
Rental of investment property	530	325
Reversal of impairment loss on contract assets	275	-
Expenses		
Amortisation of other intangible assets	154	-
Depreciation of property, plant and equipment	2,352	2,095
Depreciation of right-of-use assets	1,080	852
Interest expense	794	770
Loss allowance on financial assets at amortised cost	57	286
Loss on disposal of property, plant and equipment	-	60
Net foreign currency exchange loss	69	125



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UNION STEEL HOLDINGS LIMITED**友联钢铁控股有限公司**33 Pioneer Road North Singapore 628474 Tel : (65) 6861 9833 Fax: (65) 6862 9833
GST Reg. No: 20-0410181W**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 2023 S\$'000	6 months ended 31 December 2022 S\$'000
Short-term benefits	1,963	1,430
Post-employment benefits	26	38
	1,989	1,468

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 2023 S\$'000	6 months ended 31 December 2022 S\$'000
Tax expense/(credit) attribute to profit or loss is made up of:		
- Current income tax	1,705	1,103
- Deferred income tax	(115)	(129)
	1,590	974
Over provision in prior financial years		
- Current income tax	(76)	(62)
- Deferred income tax	(164)	-
	(240)	(62)
	1,350	912



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11. Dividends

Ordinary dividend paid:

Final dividend in respect of the financial year ended 30 June 2023, tax exempt one-tier final cash dividend of 5.00 cents per share (financial period ended 31 December 2023: 1.00 cents per share in respect of the financial year ended 30 June 2022), approved and paid during interim financial period

Group	
6 months ended 31 December 2023	6 months ended 31 December 2022
S\$'000	S\$'000
(1,969)	(394)

12. Net asset value

Net asset value per ordinary share

Group		Company	
31 December 2023	30 June 2023	31 December 2023	30 June 2023
S\$	S\$	S\$	S\$
210.05	197.18	127.08	80.64
cents	cents	cents	cents

13. Property, plant and equipment

During the six months period ended 31 December 2023, the Group recognised additions in property, plant and equipment from acquired new assets amounting to S\$3,548,000 (30 June 2023: S\$8,461,000 including S\$2,203,000 from acquisition of subsidiaries). The overall increase was offset by depreciation charges of S\$2,352,000 (30 June 2023: S\$4,588,000), and assets transferred to inventories and sales of assets with a net book value of S\$1,075,000 (30 June 2023: S\$2,635,000).

14. Investment property

Beginning of the financial period/year
Fair value loss recognised in profit or loss
End of the financial period/year

Group	
31 December 2023	30 June 2023
S\$'000	S\$'000
4,923	5,290
-	(367)
4,923	4,923



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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 2023, 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 2023 due to the short period of 6 months. The fair value derived from the independent professional valuer will be assessed at the financial year ending 30 June 2024.

15. Right-of-use assets

	Group	
	31 December 2023 S\$'000	30 June 2023 S\$'000
Cost		
Beginning of the financial period/year	15,463	16,289
Arising on acquisition of a subsidiary	-	212
Additions	11	2,374
Derecognition	-	(3,412)
End of the financial period/year	15,474	15,463
Accumulated depreciation		
Beginning of the financial period/year	3,679	5,073
Depreciation charge	1,080	1,961
Derecognition	-	(3,355)
End of the financial period/year	4,759	3,679
Carrying amount		
End of the financial period/year	10,715	11,784

16. Goodwill

	Group	
	31 December 2023 S\$'000	30 June 2023 S\$'000
Beginning of the financial period/year	7,699	7,360
Goodwill arising on acquisition	-	339
End of the financial period/year	7,699	7,699



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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 2023 S\$'000	30 June 2023 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 Holdings”)	2,307	2,307
Other CGUs with insignificant goodwill	789	789
	7,699	7,699

Goodwill is tested annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the Scaffolding CGUs and Engineering 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 2023 %	30 June 2023 %	31 December 2023 %	30 June 2023 %
Scaffolding services CGU	3.0	3.0	10.0	10.0
Engineering CGU – BTH Holdings	3.0	3.0	11.0	11.0

Discount rate used is derived from comparable rates used by other companies in the similar nature of business segment.

For other CGUs with insignificant goodwill, management is of the view that the financial impact is not material to the Group regardless whether impairment is required.



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17. Other intangible assets

	Group	
	31 December 2023 S\$'000	30 June 2023 S\$'000
Cost		
Beginning of the financial period/year	637	20
Arising on acquisition of a subsidiary	-	617
End of the financial period/year	<u>637</u>	<u>637</u>
Accumulated depreciation		
Beginning of the financial period/year	174	16
Amortisation charge	154	158
End of the financial period/year	<u>328</u>	<u>174</u>
Carrying amount		
End of the financial period/year	<u>309</u>	<u>463</u>

Intangible assets arising from acquisition of a subsidiary related to customer relationships that are initially recognised at cost, which represents the fair value at the date of acquisition, and subsequently, carried at cost less accumulated amortisation and any accumulated impairment losses. Customer relationships are amortised on a straight-line basis over its estimated economic useful lives of 2 years.

18. Borrowings

	Group		Company	
	31 December 2023 S\$000	30 June 2023 S\$000	31 December 2023 S\$000	30 June 2023 S\$000
Amount repayable within one year or on demand				
Secured	<u>21,268</u>	<u>18,223</u>	<u>2,240</u>	<u>2,240</u>
Amount repayable after one year				
Secured	<u>6,912</u>	<u>8,681</u>	<u>5,579</u>	<u>6,663</u>

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



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18. Borrowings (continued)

Reconciliation of liabilities arising from financing activities

	1 July 2023	Proceeds from borrowing	Principal and interest payments	Non-cash changes			31 December 2023
				Arising from acquisition of a subsidiary	Addition – new leases	Interest expense	
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Borrowings	24,926	4,300	(2,721)	-	-	447	26,952
Bills payable	1,978	1,233	(2,015)	-	-	32	1,228
Lease liabilities	13,610	-	(1,510)	-	124	315	12,539
	40,514	5,533	(6,246)	-	124	794	40,719

	1 July 2022	Proceeds from borrowing	Principal and interest payments	Non-cash changes			31 December 2022
				Arising from acquisition of a subsidiary	Addition – new leases	Interest expense	
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Borrowings	31,210	3,000	(1,560)	-	-	389	33,039
Bills payable	2,817	3,599	(4,928)	-	-	53	1,541
Lease liabilities	13,109	-	(1,359)	250	301	328	12,629
	47,136	6,599	(7,847)	250	301	770	47,209

19. Share Capital

	The Group and the Company			
	31 December 2023	30 June 2023	31 December 2023	30 June 2023
Issued and fully paid:			S\$'000	S\$'000
Number of ordinary shares				
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 2023 and 30 June 2023.

The Company's subsidiaries did not hold any shares in the Company as at 31 December 2023 and 30 June 2023.



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20. Investment in subsidiaries

	Group	
	31 December 2023 S\$'000	30 June 2023 S\$'000
Unquoted equity shares, at cost	75,802	75,802
Less: Allowance for impairment	(19,308)	(19,308)
	56,494	56,494
Movement in the allowance of impairment:		
Beginning of the financial period/year	19,308	19,000
Allowance recognised in profit or loss	-	308
End of the financial period/year	19,308	19,308

The Company has considered indicators of impairment on certain subsidiaries and estimated the recoverable amount using the value-in-use calculations. Based on the value in use calculations, management is of the view that no impairment charge is required for the financial period ended 31 December 2023 (30 June 2023: S\$308,000).

The Group's subsidiaries as at the end of the current and prior financial period/year are listed in the table below.

Name of subsidiary	Principal activities	Place of incorporation	Effective equity interest and voting power held	
			31 December 2023 %	30 June 2023 %
<u>Held by the Company</u>				
Union Steel Pte Ltd ⁽¹⁾	Trading of steel products.	Singapore	100	100
YLS Steel Pte Ltd ⁽¹⁾	Recycling of scrap metals, trading of steel products, waste collection and management, and rental of materials.	Singapore	100	100
Yew Lee Seng Metal Pte Ltd ⁽¹⁾	Trading of ferrous and non-ferrous scrap metals.	Singapore	100	100
Union Engineering Pte Ltd ⁽¹⁾	Investment property holding and rental of properties.	Singapore	100	100
Gee Sheng Machinery & Engineering Pte Ltd ⁽¹⁾	Mechanical engineering services.	Singapore	100	100
Transvictory Holdings Pte Ltd ⁽¹⁾	Investment holding.	Singapore	100	100
Hock Ann Metal Scaffolding Pte Ltd ⁽¹⁾	Scaffolding services.	Singapore	100	100
BTH Holdings Pte. Ltd. ⁽²⁾⁽⁵⁾	Investment holding.	Singapore	100	100



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20. Investment in subsidiaries (continued)

Name of subsidiary	Principal activities	Place of incorporation	Effective equity interest and voting power held	
			31 December 2023 %	30 June 2023 %
Held by the Subsidiaries				
Hock Ann Access System Pte Ltd ⁽¹⁾⁽⁶⁾	Scaffolding services.	Singapore	100	100
Union Applied Engineering Sdn Bhd ⁽²⁾⁽³⁾⁽⁵⁾	Inactive.	Malaysia	100	100
YLS Holdings Sdn Bhd ⁽²⁾⁽⁴⁾⁽⁵⁾	Investment holding.	Malaysia	45	45
Transvictory Winch System Pte Ltd ⁽¹⁾	Sale of marine deck equipment.	Singapore	100	100
Steadfast Offshore & Marine Pte Ltd ⁽¹⁾	Sale of marine deck equipment.	Singapore	100	100
Used Equipment Pte Ltd ⁽¹⁾	Online portal for sales of industrial equipment.	Singapore	100	100
Applied Engineering Pte Ltd ⁽²⁾	Process and industrial plant engineering design and consultancy services.	Singapore	100	100
Marshal Systems Pte Ltd ⁽¹⁾⁽⁶⁾	Contractors for electronic and electrical engineering works.	Singapore	100	100
Marshal Offshore and Marine Engrg Co., Ltd ⁽²⁾⁽⁶⁾	Contractors for electronic and electrical engineering works.	China	100	100
Promoter Hydraulics Pte Ltd ⁽¹⁾⁽⁶⁾	Sale and rental of marine equipment, marine accessories and parts.	Singapore	100	100
Fastweld Engineering Construction Pte Ltd ⁽²⁾⁽⁷⁾	Installation and construction of gas piping systems, aluminum or stainless fabrication and related structures.	Singapore	100	100

(1) Audited by CLA Global TS Public Accounting Corporation Singapore.

(2) Audited by other audit firm for statutory purpose.

(3) The Company has changed its name, formerly known as Union CHH Sdn Bhd.

(4) The Company is considered a subsidiary as the Group has the rights to appoint 2 out of 3 members of its board of directors. The board of directors has the power to direct the relevant activities of YLS Holdings Sdn Bhd.

(5) Not significant to the Group.

(6) Acquired on 29 July 2022.

(7) Acquired on 25 November 2022.

(8) The Company has changed its name, formerly known as Hock Ann Marine Scaffolding Pte Ltd.



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21. Subsequent Events

The Proposed Share Split

On 7 November 2023, the Company announced the Proposed Share Split of every one (1) existing Share held by the Shareholders on the Record Date into three (3) Shares, the completion of which will result in the Company having an issued and paid-up share capital of S\$35,202,719.68, comprising 118,134,300 Shares.

The Company had, on 11 August 2023, made a Waiver Application to the SGX-ST seeking a waiver from the strict compliance of Rule 838 of the Listing Manual which requires the issuer to satisfy the SGX-ST that its daily weighted average price, adjusted for the subdivision of shares, will not be less than S\$0.50. On 3 November 2023, SGX-ST informed the Company that it had no objection to the Waiver Application subject to the Waiver Conditions.

The Proposed Share Split is also subject to the approval-in-principle by the SGX-ST for the listing of, and the quotation for, the Additional Shares arising from the Proposed Share Split. The Company had, on 28 November 2023, submitted an application to the SGX-ST for the listing of, and the quotation for, the Additional Shares and had on 5 January 2024, received in-principle approval for the listing and quotation of the Additional Shares.

On 23 January 2024, the Company issued the Notice of EGM Meeting and is scheduled to convene the EGM on 7 February 2024 to seek approval from shareholders.

The Proposed Purchase of Property at 9 Pioneer Walk Singapore 627752

The Company's wholly-owned subsidiary, Transvictory Holdings Pte Ltd (the "Purchaser"), was granted by Leong Jin Corporation Pte Ltd (the "Vendor") an option to purchase dated 14 August 2023 (the "Option") in respect of the balance of the 30-year leasehold interest commencing from 1 April 2006 between the Vendor and the Jurong Town Council ("JTC") for 9 Pioneer Walk Singapore 627752 together with the buildings and structures erected, and the Purchaser has, on 8 September 2023, exercised the Option (the Proposed Acquisition).

The Proposed Acquisition is S\$13,800,000.00 (excluding the prevailing goods and services tax) (the "Consideration"). The company has paid of S\$138,000 as the Option money (being 1% of the Consideration) to the Vendor on 14 August 2023 and S\$552,000 as the deposit (being 4% of the Consideration) to the Vendor's Solicitors, serving as stake-holding monies pending completion on 8 September 2023. The balance purchase price of S\$13,110,000.00 shall be payable to the Vendor on Completion.

As of the release date of this announcement, both the Vendor and the Purchaser are still awaiting approval from JTC, as the application for the property transfer was submitted to JTC on 28 September 2023.



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GST Reg. No: 20-0410181W**(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 2023 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

1HFY2024 (six months ended 31 December 2023) vs 1HFY2023 (six months ended 31 December 2022)

Statements of Comprehensive Income

Revenue	1HFY2024	1HFY2023	+/- (-)	+/- (-)
	S\$'million	S\$'million	S\$'million	%
Metals	21.0	27.6	(6.6)	(23.9)
Scaffolding	4.5	5.1	(0.6)	(11.8)
Engineering	28.0	20.5	7.5	36.6
	53.5	53.2	0.3	0.6

The Group's revenue increased by 0.6% or S\$0.3 million to S\$53.5 million in 1HFY2024 (1HFY2023: S\$53.2 million), mainly attributable to the notable expansion within the Engineering segment, which was partly offset by the sales softening in the Metals segment.

Since FY2022, the Group has expanded into complementary business segments within the offshore, marine and oil & gas industries. The acquisition of BTH Group, Promoter, Marshal Group and Fastweld Engineering has diversified the Group's revenue streams and contributed to the increased revenue from the Engineering segment. The Engineering segment's revenue grew by 36.6% or S\$7.5 million to S\$28.0 million in 1HFY2024 (1HFY2023: S\$20.5 million).

The Metals sector, particularly the steel market, continued to experience further price softening and intensive competition for both new steel and scrap metal. The Group has gradually placed more focus on steel leasing and logistics within the Metals segment. These factors led to a 23.9% or S\$6.6 million decrease in revenue from the Metals segment to S\$21.0 million in 1HFY2024 (1HFY2023: S\$27.6 million).

The Scaffolding segment recorded a revenue decrease of 11.8% or S\$0.6 million to S\$4.5 million as operations normalised with the resolution of construction backlog due to Covid-19 pandemic.

Geographical information

Geographically, Singapore continues to be the primary driver of the Group's revenue, representing 79% or S\$42.3 million of revenue in 1HFY2024 as compared 75% or S\$40.1 million in 1HFY2023. Revenue from overseas markets saw a slight decrease to S\$11.2 million in 1HFY2024 from S\$13.1 million in 1HFY2023. This decrease was mainly attributed to the reduction in revenue from the Metals segment, driven by the ongoing softening of scrap metal pricing.



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2. Review of performance of the Group (continued)

Statements of Comprehensive Income (continued)

Gross profit margin

The Group's gross profit jumped 26.1% to S\$16.9 million in 1HFY2024 (1HFY2023: S\$13.4 million) mainly due to the higher revenue and improved performance of the Engineering segment. As a result, gross profit margin also increased from 25.2% in 1HFY2023 to 31.6% in 1HFY2024.

Other income

Other income increased 26.9% or S\$0.7 million from S\$2.6 million in 1HFY2023 to S\$3.3 million in 1HFY2024. This was mainly attributed to a S\$0.2 million rise in property rental income, a S\$0.3 million reversal of impairment loss on contract assets, and a S\$0.1 million gain on disposal of property, plant and equipment.

Administrative expenses

Administrative expenses increased 29.4% from S\$6.8 million in 1HFY2023 to S\$8.8 million in 1HFY2024, mainly due to the expenses associated with a recently acquired subsidiary in FY2023 amounting to S\$0.8 million. Additionally, there was a S\$1.2 million uptick in staff related costs as a result of a general increment in staff payroll, heightened performance incentives due to the improved group performance, and the expansion within the Engineering segment.

Finance costs

Finance costs rose 2.6% from S\$0.77 million in 1HFY2023 to S\$0.79 million in 1HFY2024 mainly due to the interest from the new loan draw-downs during the financial period under review.

Tax expenses

Tax expenses increased by S\$0.4 million in 1HFY2024 primarily attributed to a higher tax provision for the increase in profit.

Review of Financial Position

Statement of Financial Position as at 31 December 2023

Assets

Decrease in right-of-use assets of S\$1.1 million was mainly due to depreciation charges.

Increase in trade and other receivables of S\$7.9 million was due to 1) an increase in trade receivables and accrued revenue of S\$4.5 million for higher sales and increased progress claims from Engineering segment; 2) an increase in advance payment to suppliers of S\$2.1 million for the purchase of materials for engineering projects; and 3) a S\$1.3 million in deposit and other receivables associated to an option money and stamp duty paid in advance for a proposed acquisition of a leasehold property.

Increase in inventories of S\$1.3 million was mainly attributable to scrap metals and new steel for future sales and steel leasing activities.



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2. Review of performance of the Group (continued)

Review of Financial Position (continued)

Statement of Financial Position as at 31 December 2023 (continued)

Liabilities

Decrease in trade and other payables of S\$5.8 million was mainly due to the repayment of investment cost and dividend of S\$5.7 million to the former owners of a subsidiary recently acquired in FY2023.

Increase in bank borrowings of S\$1.3 million was a result of the rise in short-term borrowings and bills payable of S\$5.5 million to support the expansion of projects within the Engineering segment. The increase was partially offset by the repayment of bank loans and bills payable totalling S\$4.2 million.

Decrease in lease liabilities of S\$1.1 million was due to the repayment of S\$1.2 million, which was partly offset by a S\$0.1 million increase from a new lease.

Increase in income tax payables of S\$0.8 million was due to the increased provision made for the profit made in the financial period under review.

Statement of Cash Flows

Net cash used in operating activities for 1HFY2024 was mainly attributed to the rise in purchasing activities and payments associated with an increased volume of projects within the Engineering segment. Additionally, the Group paid a dividend of S\$4.4 million to the former owners of a subsidiary that was recently acquired in FY2023.

Net cash used in investing activities for 1HFY2024 was mainly attributed to capital expenditure incurred for the replacement of retired rental materials and a deferred purchase consideration paid to the former owners of a subsidiary recently acquired in FY2023.

Net cash used in financing activities in 1HFY2024 was mainly attributable to the repayment of bank borrowings, settlement of lease liabilities and dividends to shareholders. These outflows were partly offset by the inflows from new bank loans and bills payable drawn down during the period.

The Group's cash and cash equivalents decreased by S\$0.4 million compared to the previous corresponding period. 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) decreased to 16.3% as at 31 December 2023 from 27.0% in the previous corresponding period, mainly due to the repayment of bank borrowing as mentioned above.



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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

Metals

The new steel and scrap metal market remains challenging in view of continuous price softening, subdued demand as well as intense competition. Responding strategically, the Group has progressively shifted its focus towards steel leasing and logistics services which enhances its market standing as a versatile service provider. Despite the existing challenges, the Group maintains a positive outlook on the division's performance.

Scaffolding

Scaffolding services have normalised following the resolution of construction backlogs caused by the Covid-19 pandemic, and this segment remains a main contributor to the Group's overall profitability.

Engineering

The Group continues to expand its presence in the oil & gas, offshore and marine engineering industry, while also actively working on optimizing overall efficiency and foster seamless collaboration across diverse business units. The Engineering segment has already started showing more positive outcomes during the on-going business integration, with both revenue and profit steadily on the rise. In light of these developments, the management has an optimistic outlook for the near-term prospects of this segment.

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 5.00 cents per share was declared in respect of the full financial year ended 30 June 2023.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.



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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 2023, to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

ANG YU SENG

Executive Chairman and Chief Executive Officer
7 February 2024