



UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE SECOND FINANCIAL QUARTER (“Q2FY2020”) AND HALF YEAR FINANCIAL PERIOD ENDED 31 DECEMBER 2019 (“H1FY2020”) IN RESPECT OF THE FINANCIAL YEAR ENDING 30 JUNE 2020 (“FY2020”)

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		
	Q2FY2020 S\$'000	Q2FY2019 S\$'000	% Change	H1FY2020 S\$'000	H1FY2019 S\$'000	% Change
Revenue	17,184	14,874	16	33,630	32,434	4
Cost of sales	(14,294)	(12,372)	16	(27,368)	(27,150)	1
Gross profit	2,890	2,502	16	6,262	5,284	19
Other income	834	1,243	(33)	1,785	2,324	(23)
Distribution and marketing expenses	(169)	(103)	64	(258)	(214)	21
Administrative expenses	(2,369)	(2,428)	(2)	(4,874)	(4,764)	2
Other operating expenses	(721)	(953)	(24)	(1,700)	(2,077)	(18)
Profit from operations	465	261	78	1,215	553	120
Finance costs	(437)	(257)	70	(856)	(516)	66
Profit before taxation	28	4	600	359	37	870
Income tax	99	180	(45)	118	192	(39)
Profit after taxation	127	184	(31)	477	229	108
Profit attributable to:-						
Owners of the Company	192	224	(14)	573	311	84
Non-controlling interests	(65)	(40)	63	(96)	(82)	17
	127	184	(31)	477	229	108

“Q2FY2020” denotes the second financial quarter of the financial year ended 31 December 2019 (“FY2020”).

“H1FY2020” denotes the first half financial year of FY2020.

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

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

“% 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		
	Q2FY2020 S\$'000	Q2FY2019 S\$'000	% Change	H1FY2020 S\$'000	H1FY2019 S\$'000	% Change
Profit for the period	127	184	(31)	477	229	108
Exchange differences on translating foreign operations	(2)	(3)	(33)	(6)	(16)	(63)
Other comprehensive income, net of tax	(2)	(3)	(33)	(6)	(16)	(63)
Total comprehensive income for the period	125	181	(31)	471	213	121
Total comprehensive income attributable to:-						
Owners of the Company	190	221	(14)	567	295	92
Non-controlling interest	(65)	(40)	63	(96)	(82)	17
	125	181	(31)	471	213	121

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

	The Group			The Group		
	Q2FY2020 S\$'000	Q2FY2019 S\$'000	% Change	H1FY2020 S\$'000	H1FY2019 S\$'000	% Change
Profit before income tax has been arrived at after charging/(crediting)						
Depreciation of property, plant and equipment	1,050	1,257	(16)	2,128	2,629	(19)
Amortisation of right-of-use assets	509	-	NM	927	-	NM
Amortisation of intangible assets	1	1	-	2	2	-
Net foreign currency exchange loss/(gain)	41	2	1,950	(58)	26	(323)
Gain on disposal of property, plant and equipment	(9)	(194)	(95)	(32)	(85)	(62)
Interest income	(23)	(22)	5	(47)	(43)	9
Interest expense	440	257	71	856	516	66
Bad debts recovered	-	(35)	(100)	-	(65)	(100)
Loss/(Reversal of) allowance for receivables	-	65	(100)	(46)	65	(171)
Fixed assets written off	-	-	NM	200	-	NM
Allowance for inventories	7	-	NM	7	-	NM



1.(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	The Group		The Company	
	As at 31 December 2019 S\$'000	As at 30 June 2019 S\$'000	As at 31 December 2019 S\$'000	As at 30 June 2019 S\$'000
ASSETS				
Current assets				
Cash and cash equivalents	14,987	15,489	980	1,838
Trade and other receivables	15,832	14,791	7,122	6,940
Inventories	25,322	21,911	-	-
Total current assets	56,141	52,191	8,102	8,778
Non-current assets				
Property, plant and equipment	34,273	35,511	93	109
Investment property	8,312	8,312	-	-
Goodwill	7,583	7,583	-	-
Right-of-use assets	13,664	-	-	-
Other intangible assets	215	217	201	201
Subsidiaries	-	-	49,602	49,602
Deferred tax assets	65	65	-	-
Total non-current assets	64,112	51,688	49,896	49,912
Total assets	120,253	103,879	57,998	58,690
LIABILITIES AND EQUITY				
Current liabilities				
Bank loans and bills payable	29,768	27,936	1,752	1,752
Trade and other payables	9,812	8,498	24,068	24,208
Finance leases	2,278	53	-	-
Income tax payable	204	284	-	-
Total current liabilities	42,062	36,771	25,820	25,960
Non-current liabilities				
Bank loans	1,605	2,545	1,255	2,167
Finance leases	11,590	-	-	-
Deferred tax liabilities	3,051	3,089	39	39
Total non-current liabilities	16,246	5,634	1,294	2,206
Capital and reserves				
Share capital	36,603	36,603	36,603	36,603
Capital reserve	5,237	5,237	-	-
Foreign currency translation reserve	(342)	(336)	-	-
Retained earnings/(Accumulated losses)	20,619	20,046	(5,719)	(6,079)
Equity attributable to owners of the company	62,117	61,550	30,884	30,524
Non-controlling interests	(172)	(76)	-	-
Total equity	61,945	61,474	30,884	30,524
Total liabilities and equity	120,253	103,879	57,998	58,690



1.(b)(ii) In relation to the aggregate amount of the group's borrowings and debts securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year.

	The Group	
	As at 31 December 2019 S\$'000	As at 30 June 2019 S\$'000
Amount repayable in one year or less or on demand		
Unsecured	27,962	25,891
Secured	1,806	2,045
Total	29,768	27,936
Amount repayable after one year		
Unsecured	-	-
Secured	1,605	2,545
Total	1,605	2,545

Details of any collateral

These are secured by:

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



1.(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	The Group			
	Q2FY2020 S\$'000	Q2FY2019 S\$'000	H1FY2020 S\$'000	H1FY2019 S\$'000
Operating activities				
Profit before income tax	28	4	359	37
Adjustments for:				
Depreciation of property, plant and equipment	1,050	1,257	2,128	2,629
Gain on disposal of property, plant and equipment	(9)	(194)	(32)	(85)
Amortisation of right-of-use assets	509	-	927	-
Amortisation of intangible assets	1	1	2	2
Loss/(Reversal of) allowance for receivables	-	65	(46)	65
Fixed assets written off	-	-	200	-
Allowance for inventories	7	-	7	-
Interest expense	440	257	856	516
Interest income	(23)	(22)	(47)	(43)
Operating cash flows before movement in working capital	2,003	1,368	4,354	3,121
Inventories	(1,949)	(5,743)	(3,418)	(3,158)
Trade and other receivables	1,040	462	(995)	1,499
Trade and other payables	2,288	(651)	1,314	(3,892)
Cash generated from/(used in) operations	3,382	(4,564)	1,255	(2,430)
Interest paid	(242)	(257)	(499)	(517)
Interest received	23	22	47	43
Income tax paid	-	(10)	-	(10)
Net cash generated from/(used in) operating activities	3,163	(4,809)	803	(2,914)
Investing activities				
Purchase of property, plant and equipment	(1,337)	(379)	(2,836)	(2,173)
Proceeds from disposal of property, plant and equipment	650	1,188	1,778	1,531
Net cash (used in)/generated from investing activities	(687)	809	(1,058)	(642)
Financing activities				
Proceeds from bank loans	1,000	-	2,000	2,500
Repayment of bank loans	(1,474)	(1,013)	(2,680)	(4,581)
(Decrease)/Increase in bills payable	(814)	2,827	1,572	760
Repayment of finance leases	(607)	(21)	(1,133)	(47)
Dividend paid	-	(473)	-	(473)
Net cash (used in)/generated from financing activities	(1,895)	1,320	(241)	(1,841)
Net change in cash and cash equivalents	581	(2,680)	(496)	(5,397)
Effect of exchange rate changes on cash and cash equivalents	(2)	(3)	(6)	(16)
Cash and cash equivalents at beginning of the period	14,408	15,536	15,489	18,266
Cash and cash equivalents at end of the period	14,987	12,853	14,987	12,853



1.(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediate preceding financial year.

Group	Share capital 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 2019</i>							
Total comprehensive income	36,603	20,046	(336)	5,237	61,550	(76)	61,474
Profit for the period	-	573	-	-	573	(96)	477
Other comprehensive income	-	-	(6)	-	(6)	-	(6)
Total	-	573	(6)	-	567	(96)	471
Transactions with owners, recognised directly in equity							
Non-controlling interest arising from acquisition of a subsidiary	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-
<i>Balance as at 31 December 2019</i>	36,603	20,619	(342)	5,237	62,117	(172)	61,945
<i>Balance as at 1 July 2018</i>							
Total comprehensive income	36,603	25,206	(317)	5,237	66,729	264	66,993
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)
<i>Balance as at 31 December 2018</i>	36,603	25,044	(333)	5,237	66,551	182	66,733
Company							
	Share capital S\$' 000	Accumulated losses S\$' 000	Total equity S\$' 000				
<i>Balance as at 1 July 2019</i>	36,603	(6,079)	30,524				
Total comprehensive income	-	360	360				
Dividends	-	-	-				
<i>Balance as at 31 December 2019</i>	36,603	(5,719)	30,884				
<i>Balance as at 1 July 2018</i>	36,603	(7,319)	29,284				
Total comprehensive income	-	1,349	1,349				
Dividends	-	(473)	(473)				
<i>Balance as at 31 December 2018</i>	36,603	(6,443)	30,160				



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 2019 (30 June 2019: 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 2019	As at 30 June 2019
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.

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial year compared with those of the audited financial statements for the year ended 30 June 2019.

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.

The Group has adopted SFRS(I) 16 with effect from 1 July 2019. The Group has applied the simplified transition approach and will not restate comparative amounts for the year prior to first adoption and has not restated comparatives for the financial year ended 30 June 2019 reporting period as permitted under the specific transition provisions in the standard. On adoption of SFRS(I) 16 Leases, the Group has recognised right-of-use assets of S\$14.6 million and lease liabilities of S\$14.6 million on 1 July 2019.

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	
	H1FY2020 S\$'000	H1FY2019 S\$'000
Profit attributable to shareholders	573	311
Profit per share		
Basic (Singapore cents)	1.46 cents*	0.79 cents**
Diluted (Singapore cents)	1.46 cents*	0.79 cents**

* Basic and diluted earnings per share for H1FY2020 is computed based on profit for the period attributable to ordinary shareholders amounting to about S\$0.6 million and the weighted average number of shares of 39,378,100.

** Basic and diluted earnings per share for 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.

There were no potential dilutive shares as at 31 December 2019.



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.

	<u>The Group</u>		<u>The Company</u>	
	<u>As at</u>	<u>As at</u>	<u>As at</u>	<u>As at</u>
	31 December	30 June	31 December	30 June
	2019	2019	2019	2019
	S\$'000	S\$'000	S\$'000	S\$'000
Net asset value as at the respective balance sheet dates	62,117	61,550	30,884	30,524
Net asset value per ordinary share based on issued share capital as at the respective balance sheet dates (Singapore cents)	157.75 cents	156.31 cents	78.43 cents	77.52 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 of Union Steel Holdings Limited (the "Company") and its subsidiaries, started operation as YLS Steel Pte Ltd which was then involved in the trading of ferrous scrap metal. Union Steel Holdings Limited was listed on the SGX-ST Mainboard on 15 August 2005. Today, the Group is engaged in related businesses which comprise of:

- Metals: Recycling of ferrous and non-ferrous scrap metal; Trading of steel products and non-ferrous metal products; and Rental of sheet piles, steel plates, test piles and beams.
- Scaffolding: Provision of scaffolding services and related consultancy services.
- Engineering: Civil construction and engineering work; Marine equipment makers; and Land transport engineering solutions.
- Others: Leasing of industrial properties.



(a) Review of the financial performance of the Group for H1FY2020 (compared to that of H1FY2019) and for Q2FY2020 (compared to that of Q2FY2019)

The Group's revenue increased by 3.7% in H1FY2020 (vis-à-vis H1FY2019) and by 15.5% in Q2FY2020 (vis-à-vis Q2FY2019), due principally to higher contribution from the scaffolding and engineering sectors, offset by lower revenue generated from the recycling business within the metal sector.

Gross profit increased by nearly S\$1.0 million, as gross profit margin increased from 16.3% in H1FY2019 to 18.6% in H1FY2020 as a result of higher margins commanded by the scaffolding and engineering sectors. On a quarterly basis, although gross profit margin remained unchanged in Q2FY2020 at 16.8% (vis-à-vis Q2FY2019), gross profit increased by 15.5% in Q2FY2020 (vis-à-vis Q2FY2019) due mainly to an increase in scaffolding sales.

The Group's other operating income decreased by 23.2% in H1FY2020 (vis-à-vis H1FY2019) and by 32.9% in Q2FY2020 (vis-à-vis Q2FY2019) due mainly to a decrease in gain from disposal of fixed assets.

Administrative expenses increased slightly by 2.3% in H1FY2020 (vis-a-vis H1FY2019) mainly due to higher indirect staff costs.

The decrease in other operating expenses in H1FY2020 of 18.2% (vis-a-vis H1FY2019) and Q2FY2020 of 24.3% (vis-a-vis Q2FY2019) was attributable to lower depreciation charges on properties and lower currency exchange losses.

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 2019 compared to that as at 30 June 2019

Trade and other receivables increased by around S\$1.0 million mainly because of the increase in advances to suppliers.

The increase in inventory of S\$3.4 million was mainly attributable to higher import volumes. This also contribute to the increases in trade and other payables, bank loan and bills payable.

The decrease in property, plant and equipment of nearly S\$1.2 million was mainly due to the disposal of rental materials.

The reason for the increase in right-of-use assets and liabilities as at 31 December 2019 as compared to that as at 30 June 2019 can be found in paragraph 5 above.

The Group's cash and cash equivalents decreased by S\$0.5 million compared to 30 June 2019 mainly due to the acquisition of fixed assets partially offset by net cash inflows from operations.

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 26.5% as at 31 December 2019 from 24.4% as at 30 June 2019.



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 metal industry remains challenging in view of volatile price movements, soft demand and intense competition. The Group has and will continue to streamline its business operations, mitigate these business risks and navigate the business environment cautiously. The scaffolding business is expected to remain stable, while the engineering sector might experience a progressive improvement in terms of revenue.

The Group continues to work on leveraging the operational synergies between the various businesses to explore more opportunities and expand its customer footprint in the regional markets.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None.

(b) Corresponding Period of the immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect

The Board does not recommend any dividend for Q2FY2020 as the Group is preserving its cash for operational needs.

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.



UNION STEEL HOLDINGS LIMITED

Co Reg. No.: 200410181W

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 2019, to be false or misleading in any material aspect.

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

The Company has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

BY ORDER OF THE BOARD

ANG YU SENG

Executive Chairman and Chief Executive Officer

12 February 2020