



UNION STEEL HOLDINGS LIMITED
友联钢铁控股有限公司

UNION STEEL HOLDINGS LIMITED

Annual Report 2023

Financial Statements and
Sustainability Report

FOR JULY 2022 - JUNE 2023

www.unionsteel.com.sg

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Corporate Profile

Union Steel Holdings Limited (“**Union Steel**” or the “**Group**”) is a multi-business investment holding company, with three primary business drivers - metals, scaffolding and engineering. The Group started operations in 1984 as YLS Steel Pte Ltd, which was involved in the trading of ferrous scrap metal and since 1991, has been distributing construction steel through Union Steel Pte Ltd.

Leveraging over 30 years of experience and a global network of suppliers and clients, the Group has since expanded into several complementary business areas which tap on its expertise in steel products and deep knowledge of the construction sector.

The Group first ventured outside the metal and recycling industries when it added scaffolding to its product range in 2012. Today, Union Steel's products and services have expanded to include engineering and deck equipment, primarily servicing the offshore and marine industries.

With its diverse but complementary business holdings, Union Steel is well-positioned for the next chapter in its history and continues to innovate and adapt to the changing times. Given its expertise in steel trading and recycling, the Group's

operations are guided by socially responsible practices, to ensure the safeguarding of precious natural resources whilst striving to achieve sustainable financial returns.

Union Steel Holdings Limited was listed on the SGX-ST Mainboard on 15 August 2005.

Over the years, the Group has received several awards including:

- | | |
|------|---|
| 2003 | Enterprise 50 Award |
| 2004 | Enterprise 50 Award
Fastest Growing 50 Certification
Singapore 500 Small Medium Enterprises |
| 2009 | Singapore 1000 – Sales Turnover Growth
Excellence Award |
| 2010 | Singapore International 100 Company |

Operating Locations

Company	Address
YLS Steel Pte Ltd	33 Pioneer Road North Singapore 628474 Tel : +65 6861 9833 Fax : +65 6862 9833
	14 Gul Road Singapore 629344 Tel : +65 6265 9833 Fax : +65 6861 4674 Web : www.ylssteel.com.sg
Union Steel Pte Ltd	33 Pioneer Road North Singapore 628474 Tel : +65 6861 9833 Fax : +65 6862 9833
	12 Gul Road Singapore 629343 Tel : +65 6265 9833 Fax : +65 6861 4674 Web : www.unionsteel.com.sg
Yew Lee Seng Metal Pte Ltd	14 Defu Lane 11 Singapore 539170 Tel : +65 6382 0576 Fax : +65 6382 1197 Web : www.ylssteel.com.sg
Hock Ann Metal Scaffolding Pte Ltd	10 Bukit Batok Crescent #04-01 The Spire Singapore 658079 Tel : +65 6842 2808 Fax : +65 6842 2909 Web : www.hock-ann.com.sg
Gee Sheng Machinery & Engineering Pte Ltd	2 Kranji Link Singapore 728648 Tel : +65 6543 1626 Fax : +65 6542 3683 Web : www.geesheng.com.sg
Transvictory Winch System Pte Ltd	20 Third Chin Bee Road Singapore 618693 Tel : +65 6774 3127 Fax : +65 6774 5501 Web : www.transvictorywinch.com
Promoter Hydraulics Pte Ltd	20 Third Chin Bee Road Singapore 618693 Tel : +65 6774 3127 Fax : +65 6774 5501 Web : www.promoter.com.sg
Marshal Systems Private Limited	21 Kian Teck Road Singapore 628773 Tel : +65 6601 9500 Fax : +65 6601 9600 Web : www.marshall-systems.com
Applied Engineering Pte Ltd	46 Tuas Road Singapore 638499 Tel : +65 6862 1726 Fax : +65 6862 3486 Web : www.appliedengineering.com.sg
Fastweld Engineering Construction Pte Ltd	2 Kranji Link Singapore 728648 Tel : +65 6362 0393 Fax : +65 6365 1757

Headquarters

33 Pioneer Road North Singapore 628474
Tel : +65 6861 9833
Fax : +65 6862 9833
Web : www.unionsteel.com.sg

Business Overview

METALS

Union Steel has firmly established itself in the metal industry over the last 30 years. Today, we provide steel rental, distribution, and storage services as well as metal recycling.

METAL RECYCLING

The Group operates a one-stop metal recycling centre through YLS Steel Pte Ltd, with multiple facilities across Singapore. We collect and process metal scrap before exporting to smelters. Our refined and comprehensive processes have been set in place to achieve the cleanest grade of metal scrap before exporting to smelters. With more than 30 years of experience, we have grown to become one of the largest metal recycling companies in Singapore.

STEEL DISTRIBUTION AND STORAGE

The Group supplies steel products to the construction and engineering industries through Union Steel Pte Ltd. We offer a wide range of steel products such as reinforcement steel bars, H-beams, I-beams, pipes, steel plates and sheet piles. Our vast supply network allows us to fulfil any specification requirements at competitive rates. We also provide complementary services such as steel storage and handling services.

STEEL LEASING

The Group offers steel leasing solutions to the construction industry through YLS Steel Pte Ltd. We have an extensive inventory of steel sheet piles, mild steel plates, steel test piles and steel beams with customisable lengths available for short and long-term requirements.

Our leasing solutions are cost and space efficient and can be applied at all phases of a construction project. We help our customers achieve greater cost savings with flexible leasing or buy-back options.

SCAFFOLDING

The Group expanded its services to the construction industry in 2012 with scaffolding products and services.

The Group offers scaffolding services and related consultancy through Hock Ann Metal Scaffolding Pte Ltd. We specialise in scaffolding services and related consultancy, sales and rental of scaffolding materials and the supply of skilled workers for erection and dismantling of scaffolds.

We have established ourselves as the provider of choice in the local scaffolding industry, our expertise is built on our experience, industry knowledge and safety awareness in scaffolding.

BUSINESS OVERVIEW**ENGINEERING**

Initiated in 2015, the Group's diversification into adjacent markets gained momentum with strategic acquisitions in 2022. Our engineering services now encompass a broad spectrum, targeting the marine, oil and gas sectors.

OIL & GAS

Acquired by the Group in 2015, Gee Sheng Machinery & Engineering Pte Ltd adds engineering to the Group's range of services. We service predominantly the oil and gas industry, specialising in the fabrication of custom equipment certified to operate in the Zone 2 hazardous areas including pressure pump units, process mixing units and hydraulic power units. Our products are tested and commissioned at our in-house test facility with test pressures up to 15,000 PSI to ensure quality.

Applied Engineering Pte Ltd joined the Group in May 2022, strengthening our service offerings to the upstream firms of the oil and gas industry. Founded in 1934, we are well established for our design and fabrication of process equipment such as pressure vessels and heat exchangers for energy related industries.

Incorporated in 1993 and joined the Group in July 2022, Marshal Systems Private Limited is a leading systems integrator preferred by internationally renowned companies in the oil and gas industry. Our solutions cover telecommunications, safety, fire protection and control, and instrumentation systems for oil and gas assets such as land-based installation facilities, vessels, rigs as well as onshore facilities making them a safer place for people to work in.

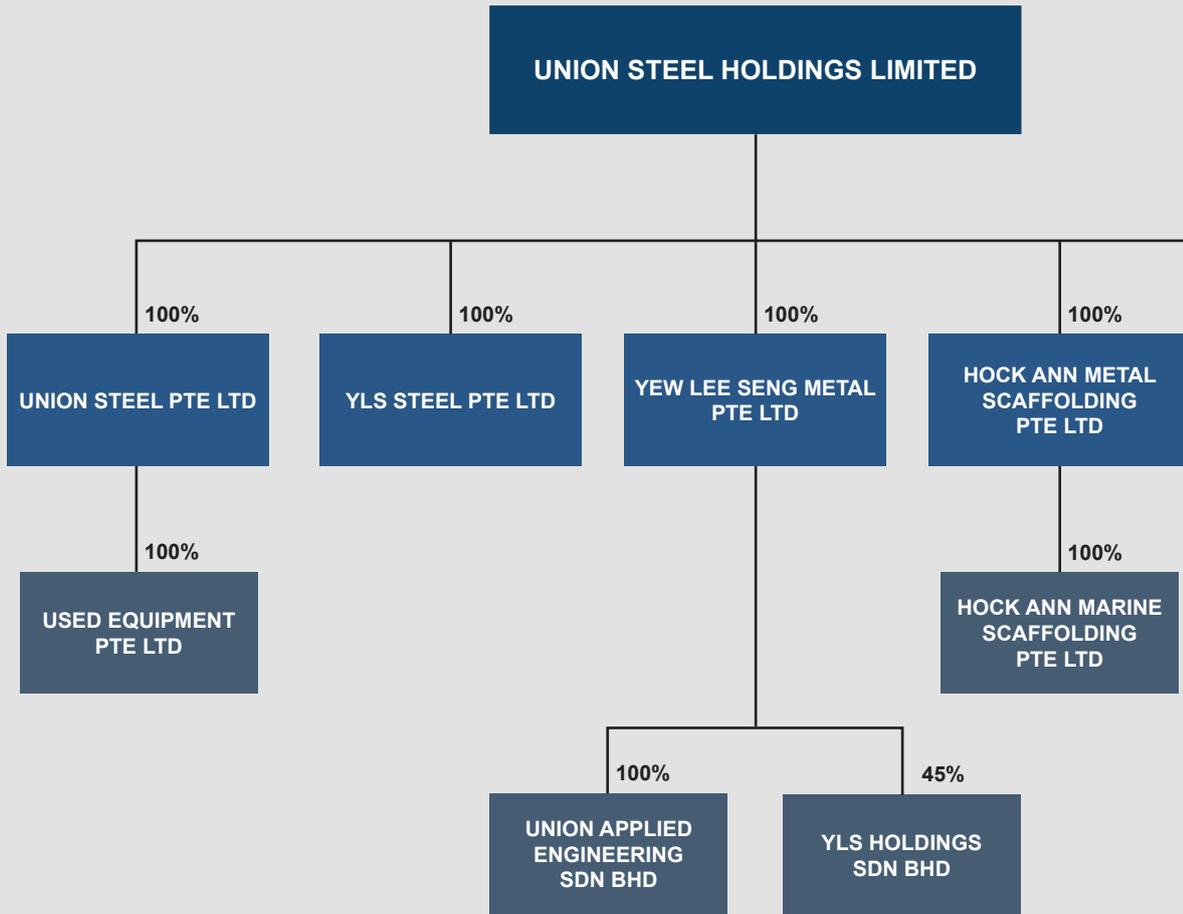
In November 2022, we broadened our scope with the acquisition of Fastweld Engineering Construction Pte Ltd. Founded in 1999, the engineering firm provides an extensive range of services to oil refineries and petrochemical plants including design, fabrication, maintenance and construction of storage tanks, pipelines and equipment.

MARINE

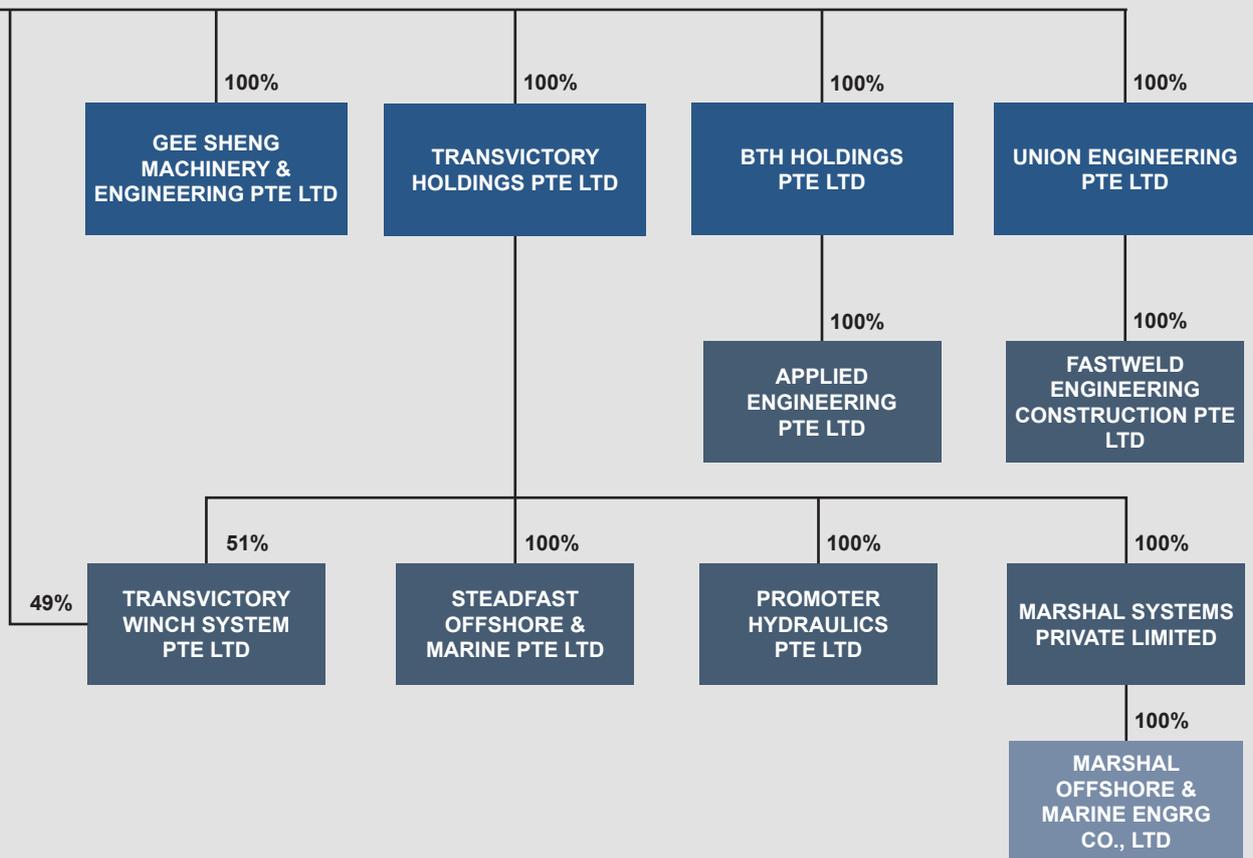
Transvictory Winch System Pte Ltd, a leading manufacturer and supplier for custom deck equipment to the marine, offshore, oil and gas industries, joined Union Steel in 2016. As one of the largest stockists in Southeast Asia, we provide immediate solutions to all winching and lifting applications. With over three decades of experience in the industry, we are the preferred partner to reputable multinational companies requiring winch systems. Our stringent verifications and testing processes ensure "zero failure" in our products, making us the go-to company for quality winching solutions.

The recent addition in August 2022 of Promoter Hydraulics Pte Ltd, one of the largest suppliers of hydraulic winches and power packs in Southeast Asia, further strengthened our position in the market.

Corporate Structure



CORPORATE STRUCTURE



Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "**Board**"), I am once again pleased to present the Annual Report of Union Steel Holdings Limited and its subsidiary corporations (the "**Group**") for the financial year ended 30 June 2023 ("**FY2023**").

In FY2023, we have made significant achievements, and our success is anchored in our unwavering commitment to excellence and innovation. The Group has maintained profitability across its Metals, Scaffolding, and Engineering segments and this was due to the steadfast dedication of our teams.

Navigating through the aftermath of the COVID-19 pandemic had its challenges. While we experienced a softening of steel and scrap metal prices, our continuous focus in steel leasing, warehousing and logistics helped mitigate the impact of these market forces. Additionally, a construction backlog from the COVID-19 pandemic period also fueled a heightened demand for construction steel, an opportunity we successfully capitalised on.

We further expanded our horizons with the strategic acquisitions of three new engineering companies which broadened the capabilities of our Engineering segment. Each acquisition not only complements our existing engineering services but also diversifies our revenue streams and boosts profitability, thereby strengthening our position in the industry.

Even as the world emerged from the COVID-19 pandemic and economic activities began to normalise, the recovery was impacted by ongoing trade tensions between the US and China as well as the Russia-Ukraine conflict. Despite this challenging global macro-environment, I am happy to report that the Group's net profit has continued its positive trajectory and grown by 52.0% to S\$11.1 million in FY2023 from S\$7.3 million in the financial year ended 30 June 2022 ("**FY2022**").

FINANCIAL AND BUSINESS REVIEW

The Group's revenue increased by 34.0% to S\$107.3 million in FY2023, from S\$80.1 million in FY2022. The revenue increase was mainly attributable to the growth of the Engineering segment and the Scaffolding segment.

Since FY2022, the Group has steadily expanded into complementary business segments within the offshore, marine, oil and gas industries. The acquisitions of BTH Group in May 2022, Promoter and Marshal Group in July 2022, and Fastweld Engineering in November 2022, have helped to further diversify revenue streams and contributed to the large revenue increase in the Engineering segment. As a result, revenue for the Engineering segment grew by 149.4% from S\$18.8 million in FY2022 to S\$46.8 million in FY2023.

The sustained strength of the construction sector, combined with some backlog of workloads caused by the previous COVID-19 pandemic, has led to an increase in demand for scaffolding services. This mainly contributed to the 54.4% increase in the Scaffolding segment's revenue to S\$10.5 million in FY2023 from S\$6.8 million in FY2022.

Since the end of FY2022, the metal sector, in particular the steel market, experienced some price softening for both new steel and scrap metal. This led to an 8.4% decrease in revenue for the Group's

CHAIRMAN'S STATEMENT

Metals segment to S\$50.0 million in FY2023 from S\$54.5 million in FY2022.

Geographically, Singapore continues to remain the main contributor to the Group's revenue, accounting for 77.9% or S\$83.6 million of group sales in FY2023 as compared to 85.3% or S\$68.3 million in FY2022. Overseas sales increased to S\$23.7 million in FY2023 from S\$11.8 million in FY2022, and this was mainly due to the above-mentioned business expansion via acquisition. The expansion of the Engineering segment within the offshore, marine, oil and gas industries has not only diversified the Group's revenue streams, but also widened its sales to other countries.

The Group's gross profit jumped 47.3% to S\$27.4 million in FY2023 from S\$18.6 million in FY2022 due mainly to the higher revenue. In FY2023, the Group saw an enhancement in its gross profit margins, reaching 25.5% as compared to the 23.2% gross profit margin achieved in FY2022, largely driven by the growth in the Scaffolding segment and Metals segment.

As at 30 June 2023, the Group has improved its financial position with a net asset value per share of S\$1.97 (30 June 2022: S\$1.70), net current assets of S\$29.3 million (30 June 2022: S\$24.4 million), total assets of S\$157.1 million (30 June 2022: S\$140.5 million), and shareholders' equity of S\$77.6 million (30 June 2022: S\$67.1 million). Net gearing of the Group has decreased to 5.4% from 24.2% a year ago, with the repayment of borrowings which resulted in a lower borrowing as at 30 June 2023 and an increase in cash and cash equivalents to S\$22.7 million (30 June 2022: S\$17.8 million).

OUTLOOK

Within the metal sector, the recent softening in the pricing for both new steel and scrap metal follows the price surge that began in FY2021. As such, the Group remains cautiously optimistic about the Metals segment's near-term performance.

For the Scaffolding segment, the Group anticipates a return to regular operations, reinforcing this as a dependable business sector. In the Engineering segment, our targeted growth strategy, enhanced by collaborative synergy of the entities, is expected to drive near-term development and strengthen its overall contribution to the Group.

Overall, the Group will continue to optimise its cost structure with an aim for sustained gains in overall profitability.

DIVIDEND

In recognition of the support of our shareholders, the Board is pleased to reward shareholders with a recommended dividend per share of 5 Singapore cents for FY2023 for their continued trust and belief in the Group.

ACKNOWLEDGEMENT

On behalf of my fellow Board members, I would like to express our sincere appreciation to our customers, suppliers, management, staff, business associates and other stakeholders for their trust and support. I would also like to thank my fellow directors for their counsel, commitment, and contribution to the Group. With all of your support, we are able to continue to lead, innovate, and drive positive change, while embodying the spirit of excellence that defines Union Steel Holdings Limited.

MR ANG YU SENG (洪友成)

EXECUTIVE CHAIRMAN & CHIEF EXECUTIVE OFFICER

Board of Directors

MR. ANG YU SENG
EXECUTIVE CHAIRMAN &
CHIEF EXECUTIVE OFFICER

Mr. Ang Yu Seng is the co-founder of our Group. He was appointed as Executive Chairman and Chief Executive Officer on 12 August 2004. He is responsible for developing and driving the growth strategies of the companies in the Group. Mr. Ang has more than 30 years of experience in the scrap metal recycling and steel trading businesses.

MR. ANG YEW CHYE
EXECUTIVE DIRECTOR

Mr. Ang Yew Chye is the co-founder of the Group and was appointed as Executive Director on 12 August 2004. He is responsible for the day-to-day operations and management of the companies in the Group. Mr. Ang has more than 30 years of experience in the scrap metal recycling business.

MR. SIAU KAI BING
LEAD INDEPENDENT DIRECTOR

Mr. Siau Kai Bing was appointed as Independent Director and Lead Independent Director of our Company on 28 June 2005 and was last re-elected on 27 October 2021. He has over 40 years of experience in accounting and audit and has held various senior appointments in finance in the past, including Chief Financial Officer and Independent Director in publicly listed companies. Mr Siau is currently an Independent Director of Nordic Group Ltd and Econ Healthcare (Asia) Limited, both of which are companies listed on SGX-ST. Mr. Siau holds an Accountancy degree from the National University of Singapore and is a Fellow Chartered Accountant with the Institute of Singapore Chartered Accountants.

MR. WONG LOKE TAN
INDEPENDENT DIRECTOR

Mr. Wong Loke Tan was appointed to the Board on 18 November 2016. He chairs the Remuneration Committee and is also a member of the Audit Committee. Mr. Wong is a senior banker with over 30 years of banking experience with international banks and local banks, including Singapore's longest established bank, OCBC Bank. His experience and expertise span across syndicated loans, project financing, structured trading financing and merger and acquisition. He is widely known in the business community for his extensive network and strong rapport with the Singapore SME business circle. Mr. Wong left banking in June 2016 as a Senior Vice President with Maybank, Singapore. Currently, he sits on the board of listed companies in Singapore and abroad, including Koyo International Limited, Adventus Holdings Limited, International Cement Group Limited and K2 F&B Holdings Limited. He is also dedicated to contributing to the Civic Organisations such as St. Gabriel's School Management Committee. In 2018, he was awarded the Silver Medallion Service Award by the Ministry of Education in recognition of his contributions and services. Mr. Wong holds a Master of Business Administration degree from Brunel University, United Kingdom and an Executive Diploma in Directorship from the Singapore Management University and the Singapore Institute of Directors.

BOARD OF DIRECTORS

MS. TAN MIN-LI
INDEPENDENT DIRECTOR

Ms. Tan Min-Li was appointed as Independent Director of our Company on 1 April 2015. She is currently the partner at CNPLaw LLP, a firm of advocates and solicitors in Singapore, and has more than 15 years of experience in the legal profession. Ms. Tan has considerable experience in the areas of initial public offerings, regional investments, corporate restructuring, cross border joint ventures and mergers and acquisitions in the region. Ms. Tan is also an Independent Director of two other publicly listed companies. Ms Tan graduated with a Bachelor of Laws (Honours) from the National University of Singapore and holds a Master of Laws degree from University College London, University of London.

MR. GOI KOK MING
(WEI GUOMING)
NON-EXECUTIVE DIRECTOR

Mr. Goi Kok Ming was appointed to the Board on 8 August 2019. Mr. Goi is the Group Chief Operating Officer of GSH Corporation Limited, a company listed on the Mainboard of the Singapore Exchange, and Non-Executive Director of Mainboard-listed PSC Corporation Limited and Serial System Ltd. He is also Director of Acelink Logistics Pte Ltd - a supply chain company with distribution networks in Singapore, Malaysia, Thailand, Hong Kong and China, and Tee Yih Jia Group - a global food and beverage group with operations in Singapore, Malaysia, USA, Europe, Japan and China. Mr. Goi is active in community service and was awarded the Public Service Medal (PBM) in 2018 for his involvement as a member of the Community Development District Council, South East Region, and Patron of Braddell Heights Community Club. He also received the "Entrepreneur of the Year" Award from Enterprise Asia in 2019. Mr. Goi holds a bachelor's degree in Computer Information System from California State University, Pomona.

Key Management

MR. WILSON ONG
DIRECTOR,
SCAFFOLDING DIVISION

Mr. Wilson Ong is the founder of Hock Ann Metal Scaffolding Pte Ltd (“**Hock Ann**”) and oversees the scaffolding division. He joined the Group after Hock Ann was acquired in April 2012. He is responsible for Hock Ann’s day-to-day sales and operations as well as managing and controlling a workforce of over a hundred employees. Mr. Ong holds a Master of Business Administration from Southern Cross University.

MR. ANG JUN LONG
DIRECTOR,
ENGINEERING DIVISION

Mr. Ang Jun Long was appointed as an Executive Director of the Group’s Engineering Division on 31 August 2022. He is the son of Mr. Ang Yu Seng (the Executive Chairman and Chief Executive Officer of the Group).

Mr. Ang started as a management trainee with Hock Ann Metal Scaffolding Pte Ltd and Gee Sheng Machinery & Engineering Pte Ltd in 2014 for three years. He subsequently joined the Transvictory Group and was promoted to General Manager in August 2017 to oversee and restructure the sales and operations of Transvictory. As of 2022, he has been appointed to head the Engineering Division of the Group to synergise the businesses amongst the group’s companies. Mr. Ang holds a bachelor’s degree with honours, majoring in Management and International Business from University of London, Royal Holloway UK.

MS. LIU WEN JUAN
FINANCIAL CONTROLLER

Ms. Liu Wen Juan was appointed as Financial Controller of the Group on 9 February 2022. She is responsible for the Group’s financial matters, treasury and corporate finance activities, including mergers and acquisition. She has more than 18 years of experience in finance and audit in various industries. Prior to joining the Group, she was the Group Finance Manager of Armstrong Industrials Corporation Limited. Ms. Liu is a Chartered Accountant of Institution of Singapore Chartered Accountants and a fellow member of the Association of Chartered Certified Accountants, UK.

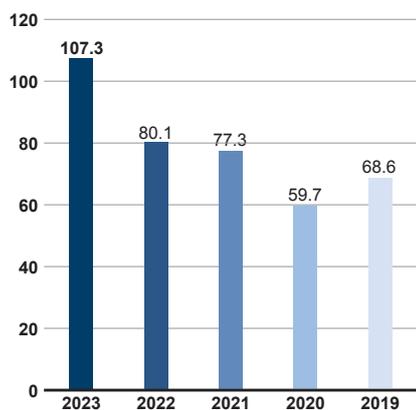
**There are no
secrets
to success.**

It is the result of
being prepared.

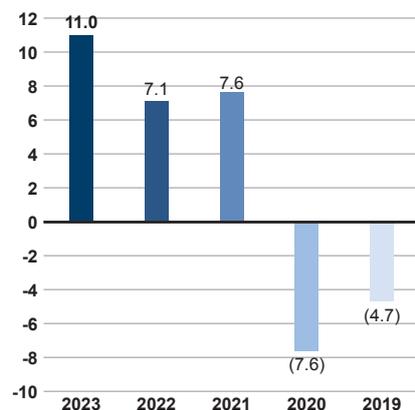
Financial Highlights

	2023	2022	2021	2020	2019
Group Turnover (S\$'million)	107.3	80.1	77.3	59.7	68.6
Group Net Profit/(Loss) Attributable to Shareholders (S\$'million)	11.0	7.1	7.6	(7.6)	(4.7)
Group Gross Margin (%)	25.5	23.2	23.7	18.4	15.6
Group Earnings/(Loss) Per Share (cents)	28.0	18.0	19.0	(19.0)	(12.0)
Group NAV (cents)	197.0	170.0	156.0	137.0	156.0
Dividend Payout (cents)	5.0	1.0	4.0	Nil	Nil

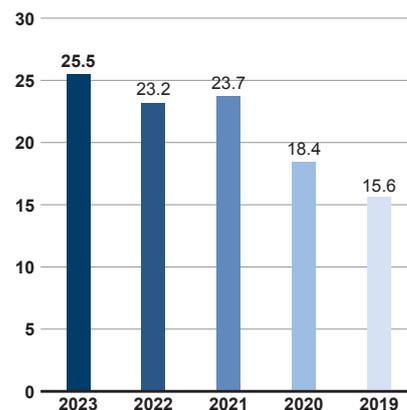
Group Turnover
(S\$'million)



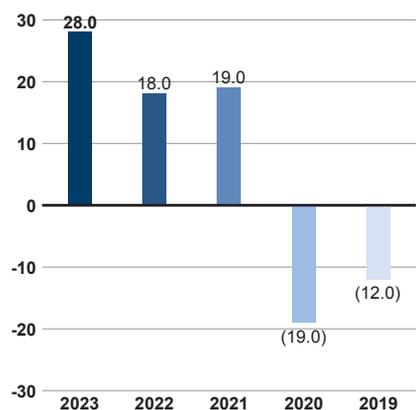
Group Net Profit/(Loss) Attributable to Shareholders
(S\$'million)



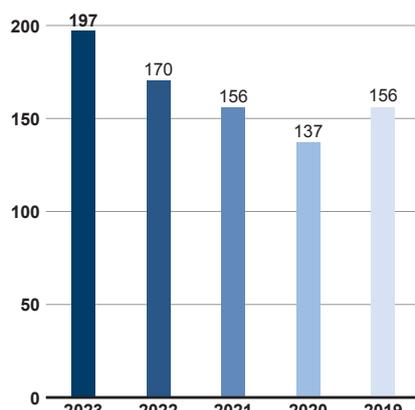
Group Gross Margin
(%)



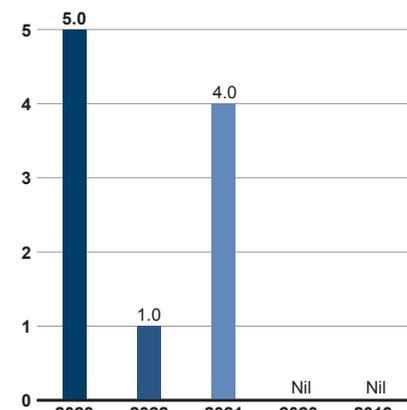
Group Earnings/(Loss) Per Share
(cents)



Group NAV
(cents)

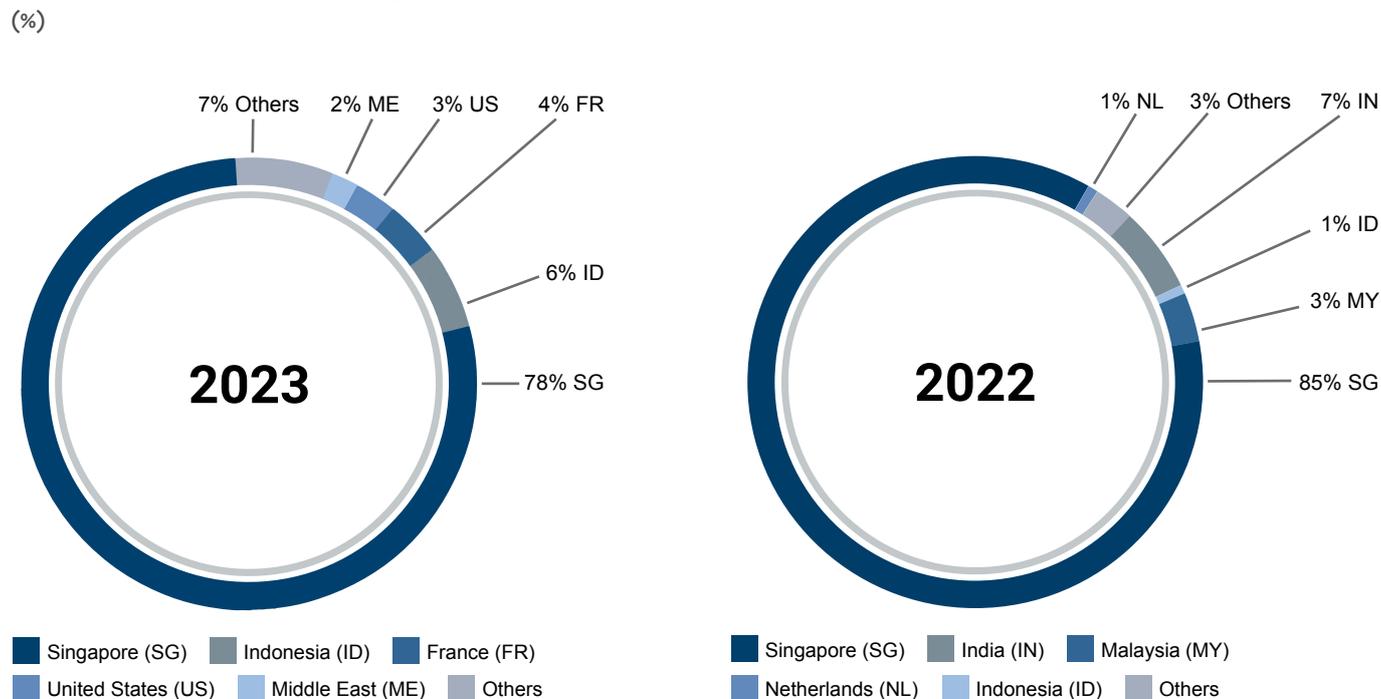


Dividend Payout
(cents)

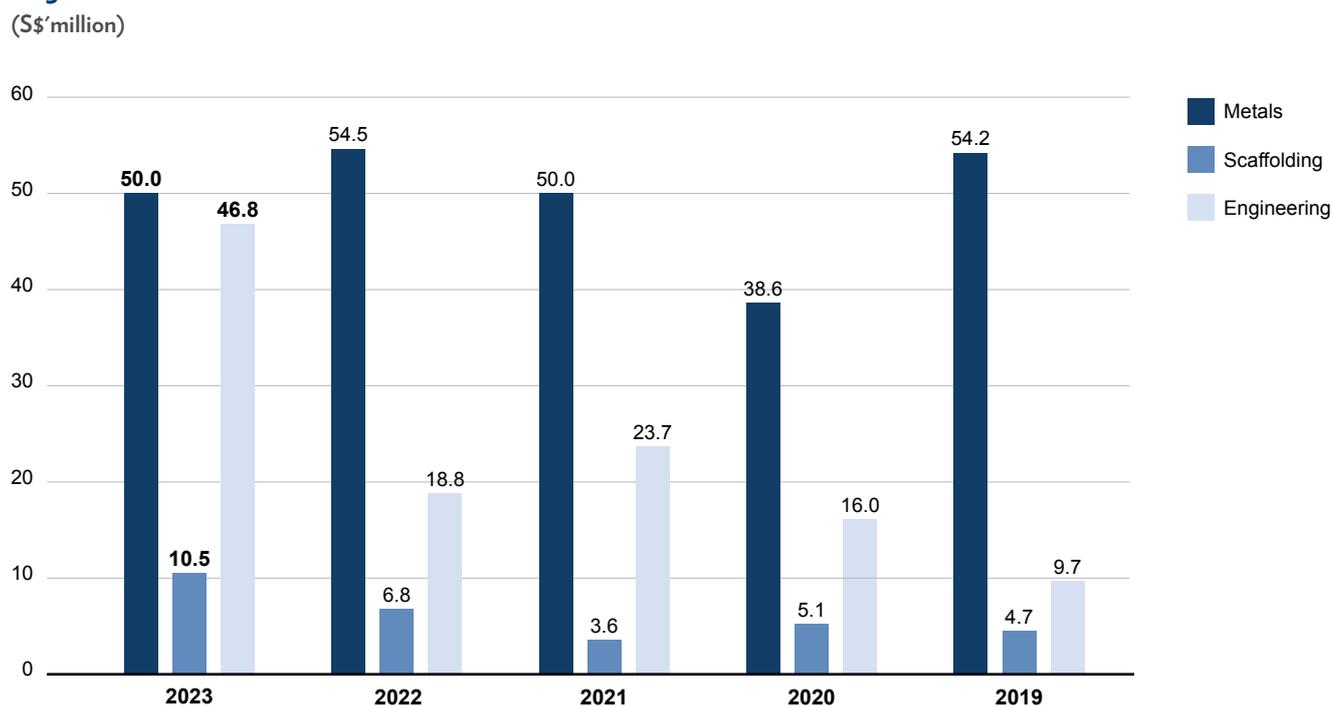


FINANCIAL HIGHLIGHTS

Revenue by Geographical Region



Segment Revenue





Sustainability Report

FOR PERIOD BETWEEN 1 JULY 2022 AND 30 JUNE 2023

About this Report

This report highlights important information including Union Steel Holdings Limited (the "**Company**" or collectively with its subsidiaries, the "**Group**") policies and approaches to various issues, performance data, and more. We are committed to these holistic policies given our background in metal recycling, which defines our goals and responsibilities toward improving the environment.

In our 6th sustainability reporting, this report continues to reflect the Group's efforts and progress in integrating long-term best practices into our operations, management and policies. Our goal for sustainability reporting is for more comprehensive disclosures and to facilitate open dialogue with our stakeholders. Through this, we aim to help our stakeholders attain a better understanding of the Company's role as a business partner and a member of the global resource supply chain. In addition, concerning the capital markets and regulatory environment, these disclosures will allow the investment community to make better-informed decisions.

REPORTING SCOPE

This report covers the sustainability efforts of the Group and all subsidiary companies under its management during the reporting period between 1 July 2022 and 30 June 2023:

- | | |
|--|---|
| 1. Union Steel Holdings Limited | 11. Steadfast Offshore & Marine Pte Ltd |
| 2. YLS Steel Pte Ltd | 12. BTH Holdings Pte Ltd |
| 3. Union Steel Pte Ltd | 13. Applied Engineering Pte Ltd |
| 4. Yew Lee Seng Metal Pte Ltd | 14. Promoter Hydraulics Pte Ltd |
| 5. Union Engineering Pte Ltd | 15. Marshal Systems Private Limited |
| 6. Hock Ann Metal Scaffolding Pte Ltd | 16. Marshal Offshore Marine Engrg Co. Ltd |
| 7. Hock Ann Marine Scaffolding Pte Ltd | 17. Fastweld Engineering Construction Pte Ltd |
| 8. Gee Sheng Machinery & Engineering Pte Ltd | 18. Used Equipment Pte Ltd |
| 9. Transvictory Holdings Pte Ltd | 19. Union Applied Engineering Sdn Bhd |
| 10. Transvictory Winch System Pte Ltd | 20. YLS Holdings Sdn Bhd |

DATA

All analyses in this report are based on the consolidated data from all local subsidiaries within the reporting scope unless otherwise specified. Data concerning Group employees is based on the Group's total workforce of 549 employees.

REPORTING FRAMEWORK

This report was prepared based on the reporting principles of Global Reporting Initiative ("**GRI**") Standards. We have chosen to report using the GRI Standards as it is globally recognized for the comprehensive framework of its sustainability reporting guidelines.

We have referenced specific GRI Standards in our disclosures and compiled a list of the referenced standards at the end of this report.

This report was published in accordance to the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Mainboard Listing Rules 711(A) and 711(B). While our industry is not mandated for obligatory climate-related disclosures, we aim to gradually incorporate such information in future reports.

REPORT ASSURANCE

We have not sought external assurance for our report for FY2023. Instead, to progressively improve the quality of our disclosures, we have engaged our internal auditors to complete an independent internal review of our sustainability reporting processes in FY2023.

PUBLICATION INFORMATION

Date of this report: 11 October 2023

Date of previous report: 11 October 2022

Union Steel's Sustainability Report is published annually.

Feedback on this report or our practices is welcome. Please direct all correspondence to corporate@unionsteel.com.sg.

Board Statement

The board of directors (the “**Board**”) of Union Steel Holdings Limited recognises the importance and the need for all levels within the organisation to be aware of sustainable practices.

The Board works closely with the management team of the Company to:

1. Identify the key concerns of various stakeholders relating to material ESG (environmental, social and governance) factors.
2. Consider, assess and prioritise these key concerns during strategy and policy formulation.
3. Monitor the Group’s performance in addressing these material ESG factors.

Sustainability Committee

We integrate sustainability into our business, from our on-the-ground operations to the corporate office, which oversees all business activities. We have solidified our commitment to sustainability by establishing a Sustainability Committee comprised of representatives from various business divisions.

The primary function of the Sustainability Committee is to evaluate the Group’s material ESG aspects within the respective domain areas represented by each member. Additionally, the Sustainability Committee plays a vital role in ensuring that the Group remains a responsible corporate citizen and incorporates sustainability into our decision-making process at every level.



Stakeholder Engagement

Our stakeholders have been identified in previous disclosures as:

1. Shareholders and investors
2. Customers
3. Suppliers
4. Employees
5. Public and Community

Stakeholder engagement is conducted through various channels, including announcements and updates, two-way dialogues, visits, and follow-up meetings. These engagements allow us to gain a better understanding of our stakeholders' key concerns and subsequently identify the material factors that have the greatest impact on our businesses and stakeholders.

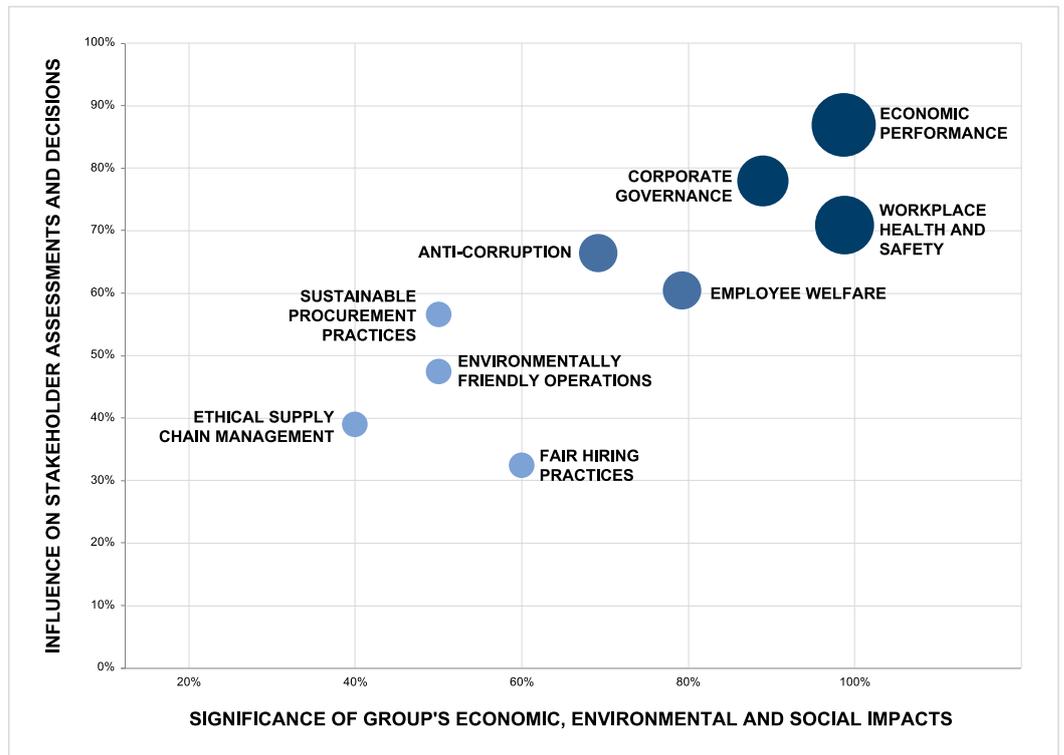
Reporting Areas	Stakeholders	Key Concerns	Modes Of Engagement	Our Material Factors
Capital	Shareholders and Investors	<ul style="list-style-type: none"> • Capital appreciation on investment • Profitability • Information transparency • Investor relations • Corporate governance 	<ul style="list-style-type: none"> • Half-yearly and yearly result announcements • AGM and EGM • SGX announcements and press releases • Annual reports • Website updates • Investor mailbox 	<ul style="list-style-type: none"> • Quality and timely disclosures • Management strategies • Financial stewardship and prudence
Corporate	Customers	<ul style="list-style-type: none"> • Competitive pricing • Quality control • On time delivery • Reasonable payment terms • After-sales service 	<ul style="list-style-type: none"> • Customer feedbacks • Market research reports • Meetings • Regular sales calls 	<ul style="list-style-type: none"> • Product and service quality
	Suppliers	<ul style="list-style-type: none"> • Prompt payments • Fair procurement and business practices • Compliance with terms of business contracts 	<ul style="list-style-type: none"> • Supplier reviews and evaluations • Project meetings • Telecommunications • Site visits 	<ul style="list-style-type: none"> • Fair dealing • Ethical supply chain management
	Employees	<ul style="list-style-type: none"> • Safe working environment • Employee welfare and benefits • Career growth and opportunities • Performance appraisals 	<ul style="list-style-type: none"> • Safety briefings • Internal surveys, workplace case updates • Performance appraisals • Trainings and orientation 	<ul style="list-style-type: none"> • Employment practices • Workplace health and safety implementation
Community	Public and Community	<ul style="list-style-type: none"> • Community support 	<ul style="list-style-type: none"> • Donations • Regular compliance reviews • Sustainability reporting 	<ul style="list-style-type: none"> • Community engagement • Environmental responsibility

Materiality Assessment

MATERIALITY MATRIX

This year, we reassessed and re-identified the sustainability issues that are most relevant to our stakeholders and our business.

After evaluating our findings from stakeholder engagement and our business priorities, we mapped out the sustainability issues raised by internal and external stakeholders on a materiality matrix. This matrix is updated regularly to reflect any changes in stakeholders' or the Group's priorities.



MATERIAL TOPICS

The following material topics were selected for disclosure:

1. Economic Performance
2. Anti-Corruption
3. Occupational Health and Safety
4. A Responsible Employer
5. Protecting the Environment
6. Building Strong and Long-Lasting Relationships
7. Supporting the Community

Economic Performance

Since 2005, Union Steel Holdings Limited has maintained its listing on the SGX-ST Mainboard. Being a publicly listed company, we are committed to delivering strong economic performance while adhering to our sustainability principles. Our economic sustainability strategy is built on the foundation of responsible financial management and long-term value creation. We are highly cognizant of our shareholders' anticipations for financial returns. Therefore, we are dedicated to consistently providing timely disclosure of the Group's financial performance, ensuring that investors gain insight into our standing, strategies and future prospects.

For the financial year that ended 30 June 2023, the Group witnessed strong revenue growth and attained a substantial boost in profit. These results were propelled by our continued focus on metal recycling and steel leasing, sustained recovery within the construction industry which led to the increased demand in scaffolding services and the inclusion of results from the newly acquired business within the Engineering segment. A final dividend of 5 cents per share was declared to reward the loyalty demonstrated by our steadfast shareholders. Meanwhile, the Group maintains its focus on leveraging the synergies between its established and newly acquired business operations. Furthermore, the Group will persist in judiciously optimizing its cost structure while making strategic investment to expand its capacities and capabilities, all with the ongoing objective of enhancing overall profitability.

For more details on the Group's financial performance and outlook, please refer to the Chairman's statement on pages 8 and 9, the financial highlights on pages 14 and 15, and financial statements from pages 64 to 123. The Board and management are committed to adapting and overcoming the challenges faced by the Group. We will continue to undertake prudent cost and risk management initiatives to protect our shareholders' interests to deliver greater shareholder value as we advance. We make half-yearly and annual disclosures of financial results through SGXNet and announcements on significant corporate developments as they occur. The Company's corporate website is also a reliable source for updated information about the Group and the latest news releases. The Company's Annual General Meeting remains the primary platform for shareholders to meet and engage with the Board and the Group's senior management team. During these meetings, the Board welcomes all formal and informal questions from shareholders. The minutes of general meetings are available to shareholders upon request.

Anti-Corruption

ANTI-CORRUPTION POLICY

We have identified ethical breaches as a significant risk to our business operations through our robust risk management process. To mitigate this risk, we continually enhance and reinforce our internal policies and controls, reaffirming our commitment to upholding the highest ethical standards.

In FY2019, the Group developed a comprehensive anti-corruption policy to ensure the integrity of our operations. This policy has been implemented and is currently in effect. All Group employees, including third-party agents, consultants, and contractors, are bound by this code of conduct.

Training sessions are provided for our employees to ensure that they understand their responsibilities, and we inform our suppliers and customers about our enhanced policy. The Company maintains a zero-tolerance stance towards corruption and bribery, and any breaches of conduct are promptly reported to the relevant authorities.

During the year, there were no reported cases of corruption or fraudulent activities.

CORRUPT CASES

2023 **0**

Since FY2020, the Group has progressively incorporated non-disclosure, non-compliance, and non-solicitation clauses into our employment policies. Moreover, employees in managerial positions are required to make conflict of interest declarations to ensure the highest level of integrity in decision-making.

INTERNAL CODE OF ETHICS

To ensure widespread awareness and adherence to our code of conduct, we employ the following practices:

- During induction sessions for new employees, the Internal Code of Ethics is introduced, emphasizing its importance and relevance to our organizational values.
- Newly acquired subsidiaries receive the code of conduct through dedicated efforts by our human resources personnel, ensuring seamless integration into our ethical framework.

Additionally, we have an approved whistle-blowing policy overseen by the Audit Committee and adopted by the Board. This policy establishes a confidential and anonymous channel for employees to report concerns related to potential improprieties in corporate, financial and other matters.

Occupational Health & Safety

OSH FEEDBACK HANDLING

Feedback Received	2
Feedback Handled	2
Handling Rate	100%

MANAGEMENT SYSTEMS ADOPTED



International Standard
for Occupational
Health and Safety
Management System



Workplace Safety and
Health Management
System

The Group has made good progress on adopting appropriate measures in our daily operations to build on core principles of sustainability, resilience and safety. Our Safety Committee was established in FY2021, comprising senior management personnel from each subsidiary company. The committee oversees all health and safety matters at the group level. In FY2023, we appointed an internal safety manager who conducts safety assessments, audits, and provides support to ensure compliance with safety standards across all subsidiaries.

The Safety Committee convenes monthly to discuss new regulatory requirements, assess occupational and workplace risks, and maintain group-wide compliance with all relevant safety standards. Our commitment to workplace safety is unwavering, and we have implemented several initiatives to enhance safety across our organization. Notably, we have introduced a whistle-blowing platform that enables site-specific reporting of safety violations.

Other ongoing initiatives taken by the Group to improve workplace health include:

- providing employees occupational first aid training;
- conducting preventative maintenance on machineries to minimize machine hazards;
- providing hearing protection and annual audiometric tests to employees exposed to loud noises at work; and
- health screening for employees at selected locations.

These initiatives are crucial steps toward ensuring the safety and well-being of our workforce and stakeholders. As a responsible organization, we remain committed to continuous improvement and strive to create a safe and healthy work environment for everyone involved.

WORKPLACE INJURY STATISTICS

	2023	2022	2021
Number of Injury Cases	4	4	3
Total Case Incident Rate ¹	0.77	1.24	1.28
Severity Rate ²	17.25	40	22
Work related fatalities	0	0	0

¹ Total Case Incident Rate refers to the number of recordable incidents per 100 employees.

² Severity Rate refers to the average number of lost days per incident.

A Responsible Employer

FAIR HIRING PRACTICES

The Group recognises the importance of fostering a balanced and inclusive workforce. Our human capital management strategy stands as a crucial asset in driving the Group's growth. The heightened demand for employees with specialized skills in today's competitive labour market has prompted us to thoroughly review and re-evaluate our existing processes.

Our workforce comprises employees from diverse demographics. This diversity brings numerous benefits, allowing for the exchange of knowledge and ideas between experienced employees and younger talents. We are dedicated to promoting a positive environment that fosters strong relationships among managers and co-workers.

We are committed to maintaining open and fair hiring practices, ensuring that gender bias plays no role in our recruitment decisions. At present, our employee composition leans towards a higher percentage of male employees (82%) compared to female employees (18%) in FY2023.

Encouraging teamwork and fostering strong bonds within our workforce are top priorities for us. We strive to ensure that all employees are motivated, supportive, and feel a strong sense of belonging within our organization. By nurturing a committed and competent workforce, we are well-positioned to achieve our corporate growth strategy.

EMPLOYEE WELFARE

In Singapore, employees are granted essential employment terms and working conditions under the protection of the Employment Act. This encompasses contract requirements, remuneration, working hours, overtime, rest days, and annual leave entitlement. As an organization, we take great pride in exceeding statutory obligations by providing compassionate and marriage leaves, as well as extending healthcare plans and insurance coverage to employees.

These comprehensive benefits demonstrate our commitment to fostering a supportive work environment that prioritizes the well-being and satisfaction of our valued team members. We believe in nurturing a culture that values every individual's contributions and ensures their security and growth, ultimately creating a positive and thriving workplace community.

STRENGTHENING WORKPLACE CULTURE

To further enhance our workplace culture and promote employee cohesiveness within our expanding workforce, we have implemented various initiatives to bring together employees from our Group subsidiaries. These gatherings are designed to foster stronger relationships, increase employee engagement, boost overall morale, and strengthen the bonds among our workforces. We firmly believe that fostering a positive and inclusive work environment is crucial to achieving higher productivity levels and ensuring employee satisfaction.

EMPLOYEE TURNOVER RATE

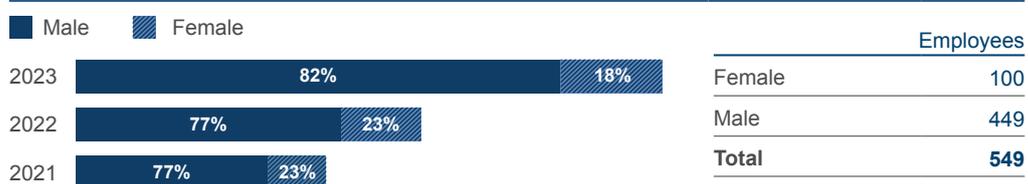
Our current focus on employee satisfaction and retention is reflected in our existing employee turnover rate of 18%. While this demonstrates a stable work environment, we are committed to further improvement. We have set a short-term goal to maintain the turnover rate at less than 20%, emphasizing our dedication to providing stability, engagement, and growth opportunities for our team. This approach aligns with our broader organizational objectives and underscores our commitment to nurturing a loyal and satisfied workforce.

SUSTAINABILITY REPORT

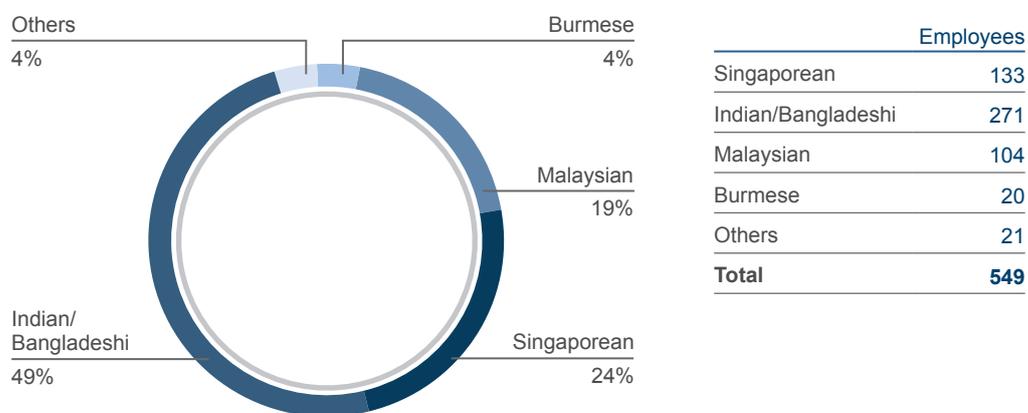
AGE GROUP

	2023	Percentage
By Age	<= 30	72 14%
	> 30 - 40	211 38%
	> 40 - 50	151 27%
	> 50 - 60	68 12%
	> 60	47 9%

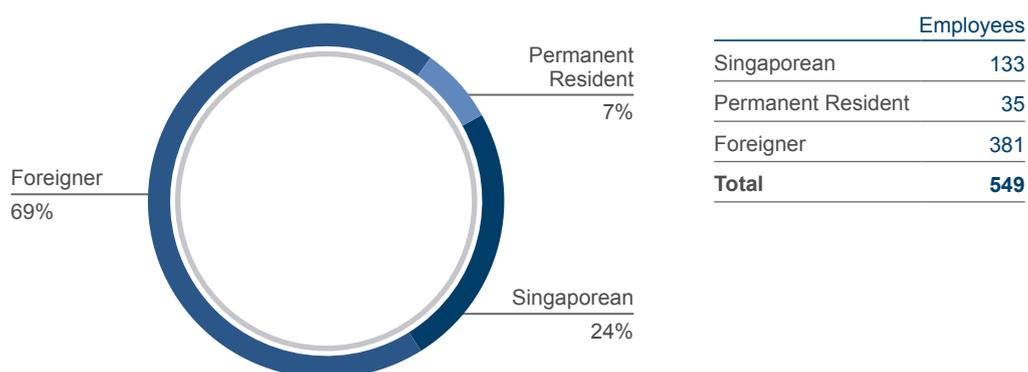
GENDER



NATIONALITY



RESIDENCY



Protecting the Environment

CLIMATE CHANGE

As an organisation with a diverse portfolio of subsidiaries engaged in metal recycling, construction steel supply and providing scaffolding and engineering services, we understand the importance of addressing climate change and its potential impact on our business activities. While we acknowledge that our direct environmental impact may be relatively minor, we recognise the significance of individual efforts in contributing to a sustainable future.

During the reporting period, we have undertaken several environmentally conscious initiatives to reduce our carbon footprint. These include the adoption of electric-powered forklifts, a fleet renewal program aimed at enhancing efficiency and reducing emissions, and the implementation of zero-power waste policies at our operating locations. Additionally, our ISO14001:2018 certification serves as a reminder and guide for our employees in practicing sustainable procedures, ensuring that we not only comply with environmental regulations but also exceed them whenever possible.

Through our commitment to sustainable practices, we strive to play our part in mitigating climate change. While our business activities may not be directly associated with high emissions, we remain dedicated to minimizing our environmental impact and supporting global efforts to combat climate change. We believe that our collective actions can contribute to a greener and more sustainable future.

Looking ahead, we are actively working on enhancing our responsible sourcing practices by including environmental criteria in our vendor assessment processes. Additionally, we are investing in renewable energy solutions, as evidenced by our plan to install solar panels and transition to renewable energy at one of our factories undergoing a rebuild. These strategic steps demonstrate our ongoing commitment to addressing climate change and striving for sustainable operations.

RECYCLING

As part of our metal recycling processes, we continuously seek opportunities to improve our operations, particularly in the sorting process. Effective sorting is crucial for maximizing material recovery and minimizing potential environmental impacts during smelting. We remain dedicated to conserving natural resources through efficient and responsible recycling practices.

WASTE

Our commitment to waste management involves maximizing material recovery to reduce the environmental impact of our operations. During the reporting period, we successfully recovered an estimated 380 tons of metal scrap from general waste, with a recovery rate of 3.1%* (FY2022: estimated 330 tons, recovery rate 3.5%). Our efforts extend beyond the workplace, as we actively encourage our employees to participate in waste sorting at home and discourage unnecessary printing in all our offices.

In conclusion, we understand the importance of sustainability and recognise our role in addressing climate change. While our business activities may not be directly associated with significant emissions, we are committed to minimizing our environmental impact through responsible practices and continuous improvement. By embracing sustainable initiatives and incorporating environmental considerations into our decision-making processes, we aim to contribute to a more sustainable and resilient future.

Building Strong and Long-Lasting Relationships

FOSTERING LONG-LASTING RELATIONSHIPS WITH CUSTOMERS

Throughout our esteemed 40-year journey, our focus on delivering top-quality products and services has been instrumental in our success. This dedicated approach has nurtured enduring relationships with our esteemed global network of customers and suppliers.

Our mission is to provide tailor-made solutions and high-quality products that precisely align with the unique requirements of our valued customers and their respective industries. We actively engage with our customers through phone calls and visits to gain invaluable insights into their requirements. Regularly seeking and embracing customer feedback drives our continuous improvement efforts in enhancing our customer services.

COMMITMENT TO RESPONSIBLE SOURCING

As a trusted member of the global resource supply chain, we have cultivated strong bonds with both local and international suppliers, ensuring timely deliveries and access to specialty products. Consistent with our commitment to responsible and sustainable business practices, we regularly review and evaluate our suppliers to ensure they adhere to ethical business standards.

As an effort to address climate change concerns, we are currently exploring ways to expand the scope of our vendor evaluation process to include the assessment of their environmental and social impacts.

As we progress, we aim to continue fostering strong relationships, providing valuable solutions to our customers, and promoting responsible sourcing practices that align with our commitment to sustainability.

Supporting the Community

The Group continues to give back to society with monetary contributions and volunteering. We strongly believe that helping our community is an opportunity to enrich life positively, connect with people for an individual growth too.

We are also a member of several trade organisations including the Singapore Metal & Machinery Association, and Singapore Iron Works Merchant Association.

These trade organisations encourage the growth and development of their respective industries by building closer ties between member companies as well as with government bodies.

As a member of these associations, we are committed to upholding their principles which include, among others, adhering to ethical business practices and the elimination of anti-competitive behaviours.

SUSTAINABILITY REPORT

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GRI	Disclosure	Reference	Page
1. Organisational Profile			
102-1	Name of the organisation	Corporate Profile	2 - 3
102-2	Activities, brands, products, and services	Business Overview	4 - 5
102-3	Location of headquarters	Corporate Profile	2 - 3
102-4	Location of operations	Corporate Profile	2 - 3
102-5	Ownership and legal form	Corporate Structure	6 - 7
102-6	Markets served	Business Overview	4 - 5
		Financial Highlights	14 - 15
102-7	Scale of the organisation	About This Report	17
		Notes to financial statements	70 - 123
102-8	Information on employees and other workers	About This Report	17
		A Responsible Employer	24 - 25
102-9	Supply chain	Economic Performance	21
102-10	Significant changes to the organisation and its supply chain	There were no significant changes to our organisational profile and supply chain during the reporting period.	
102-11	Precautionary Principle or approach	NA	
102-12	External initiatives	Occupational Health & Safety	23
		Protecting the Environment	26
2. Strategy			
102-14	Statement from senior decision-maker	Chairman's Statement	8 - 9
102-15	Key impacts, risks, and opportunities	Stakeholder Engagement	19
3. Ethics and integrity			
102-16	Values, principles, standards, and norms of behaviour	Anti-Corruption	22
102-17	Mechanisms for advice and concerns about ethics	Anti-Corruption	22
4. Governance			
102-18	Governance structure	Statement of Corporate Governance	32 - 55
5. Stakeholder engagement			
102-40	List of stakeholder groups	Stakeholder Engagement	19
102-41	Collective bargaining agreements	There were no employees covered by collective bargaining agreements during the reporting period.	
102-42	Identifying and selecting stakeholders	About This Report	17
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102-44	Key topics and concerns raised	Stakeholder Engagement	19		
		Materiality Assessment	20		
102-45	Entities included in the consolidated financial statements	Corporate Profile	2	-	3
		About This Report	17		
102-46	Defining report content and topic Boundaries	Materiality Assessment	20		
102-47	List of material topics	Materiality Assessment	20		
102-48	Restatements of information	NA			
102-49	Changes in reporting	No significant changes from prior reporting periods.			
102-50	Reporting period	About This Report	17		
102-51	Date of most recent report	About This Report	17		
102-52	Reporting cycle	About This Report	17		
102-53	Contact point for questions regarding the report	About This Report	17		
102-54	Claims of reporting in accordance with the GRI Standards	About This Report	17		
102-55	GRI content index	GRI Content Index	28	-	30
102-56	External assurance	Statement Of Corporate Governance	32	-	55
GRI 103 MANAGEMENT APPROACH					
103-1	Explanation of the material topic and its Boundary	Materiality Assessment	20		
103-2	The management approach and its components	Sustainability Committee	18		
103-3	Evaluation of the management approach	Sustainability Committee	18		
GRI 201 ECONOMIC PERFORMANCE					
201-1	Direct economic value generated and distributed	Economic Performance	21		
201-2	Financial implications and other risks and opportunities due to climate change	We do not explicitly refer to the financial implications and other risks and opportunities due to climate change.			
201-3	Defined benefit plan obligations and other retirement plans	Statement Of Corporate Governance	32	-	55
201-4	Financial assistance received from government	Financial Statements	64	-	123
GRI 205 ANTI-CORRUPTION					
205-1	Operations assessed for risks related to corruption	Anti-Corruption	22		
205-2	Communication and training about anti-corruption policies and procedures	Anti-Corruption	22		
205-3	Confirmed incidents of corruption and actions taken	Anti-Corruption	22		

SUSTAINABILITY REPORT

GRI Content Index

GRI	Disclosure	Reference	Page
GRI 306 WASTE			
306-1	Waste generation and significant waste-related impacts	Protecting the Environment	26
306-2	Management of significant waste-related impacts	Protecting the Environment	26
306-3	Waste generated	Protecting the Environment	26
306-4	Waste diverted from disposal	Protecting the Environment	26
306-5	Waste directed to disposal	Protecting the Environment	26
GRI 401 EMPLOYMENT			
401-1	New employee hires and employee turnover	A Responsible Employer	24 - 25
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	NA	
401-3	Parental leave	NA	
GRI 403 OCCUPATIONAL HEALTH AND SAFETY			
403-1	Occupational health and safety management system	Occupational Health & Safety	23
403-2	Hazard identification, risk assessment, and incident investigation	Occupational Health & Safety	23
403-3	Occupational health service	Occupational Health & Safety	23
403-4	Worker participation, consultation, and communication on occupational health and safety	Occupational Health & Safety	23
403-5	Worker training on occupational health and safety	Occupational Health & Safety	23
403-6	Promotion of worker health	Occupational Health & Safety	23
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Occupational Health & Safety	23
403-8	Workers covered by an occupational health and safety management system	Occupational Health & Safety	23
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403-10	Work-related ill health	Occupational Health & Safety	23

Financial Statements

FOR PERIOD BETWEEN 1 JULY 2022 AND 30 JUNE 2023



Statement of Corporate Governance

Union Steel Holdings Limited (“**Company**”) and its subsidiaries (collectively, the “**Group**”) are committed to set corporate governance practices in place which are in line with the recommendations of the Singapore Code of Corporate Governance 2018 (“**Code**”) to provide the structure through which the objectives of protection of shareholders’ interest and enhancement of long-term shareholders’ value are met.

This report describes the corporate governance practices adopted by the Company for the financial year ended 30 June 2023 (“**FY2023**”) with specific reference made to each of the principles of the Code. The Company has complied substantially with the requirements of the Code and will continue to review its practices on an ongoing basis. It has provided an explanation for any deviation from the Code, where applicable.

(A) BOARD MATTERS

Board’s Conduct of its Affairs

Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long- term success of the company.

Provision 1.1. – Principal Duties of the Board

The Board’s primary role is to protect and enhance long-term shareholders’ value. Its responsibilities are distinct from Management’s responsibilities. The Board sets the overall strategy for the Group and supervises executive Management. To fulfil this role, the Board sets strategic direction, establishes goals for Management and monitors the achievement of these goals, thereby taking responsibility for the overall corporate governance of the Group.

In addition to its statutory duties, the principal functions of the Board are:

- (1) approving policies, strategies and financial objectives of the Company and reviewing Management’s performance;
- (2) overseeing the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
- (3) approving nomination and appointment of directors, committee members and key personnel; and
- (4) approving annual budget, major funding and expansion proposals, capital investment, major acquisition, and divestment proposals.

All Directors objectively discharge their duties and responsibilities at all times as fiduciaries and take decisions in the interests of the Company.

Every Director of the Company is required to disclose any conflicts or potential conflicts of interest, whether direct or indirect, in relation to a transaction or proposed transaction with the Group as soon as practicable after the relevant facts have come to his/her knowledge. On an annual basis, each Director is also required to submit details of his/her associates for the purpose of monitoring interested persons transactions. When there is an actual or potential conflicts of interest, the concerned Director shall, abstain from voting, and reclude himself/herself from discussions and decisions involving the issues of conflict.

In view of recent geopolitical developments, although the Company is not subject to any sanctions-related laws, the Board and the Audit Committee (“**AC**”) will continue to monitor such developments and assess the Company’s risk of becoming subject to, or violating, any sanctions law. The Board and the AC will also ensure timely and accurate disclosure to the SGX-ST and other relevant authorities on such risks where applicable, and if deemed necessary, engage relevant professional advisors to assist them in such matters.

Provision 1.2 – Directors’ Orientation and Training

The Company has an orientation programme for all new Directors and also for Directors to attend any appropriate training programme in order to discharge their duties as Directors.

STATEMENT OF CORPORATE GOVERNANCE

Directors are encouraged to attend seminars and receive training to improve themselves in the discharge of Directors' duties and responsibilities. Changes to regulations and accounting standards are monitored closely by Management. The Directors are also updated regularly on changes to the Singapore Exchange Trading Securities Limited ("**SGX-ST**") listing rules, risk management, corporate governance, insider trading, and the key changes in relevant regulatory requirements and financial reporting standards, and relevant laws and regulations to facilitate effectively discharge of their fiduciary duties as Board or Board Committee members.

News releases issued by the SGX-ST and the Accounting and Corporate Regulatory Authority ("**ACRA**") which are relevant to the Directors are circulated to the Board. The Company Secretaries would inform the Directors of upcoming conferences and seminars relevant to their roles as Directors of the Company. Annually, the External Auditors ("**EA**") update the AC and the Board on the new and revised financial reporting standards that are applicable to the Company and the Group.

For newly appointed Directors, they will be briefed by the Management on the business activities of the Group, governance policies, policies on disclosure of interests in securities, the rules relating to disclosure of any conflicts of interest in a transaction involving the Company, prohibitions in dealing in the Company's securities and restrictions on disclosure of price sensitive information. In addition, the Management regularly updates the Directors on the business activities of the Company during the Board meetings.

A formal letter of appointment would be furnished to every newly appointed Director upon their appointment explaining, among other matters, their roles, obligations, duties and responsibilities as member of the Board.

In line with the requirement of the Task Force for Climate-related Financial Disclosures ("**TCFD**") and climate-related disclosures, the Company has arranged for all the Directors to undergo training in this regard.

Provision 1.3 – Board Approval

The Board has adopted a set of internal guidelines setting forth matters that require Board approval. Matters which are specifically reserved for the Board's decision are those involving significant acquisitions, disposals and financing proposals, reviewing and approving the Group's corporate policies, monitoring the performance of the Group and transactions relating to investment, financing, and legal and corporate secretarial. The Management understands that these matters require approval from the Board. The Board will review these internal guidelines on a periodic basis to ensure their relevance to the operations of the Company. Directors are required to act in good faith and discharge their fiduciary duties and responsibilities in the interests of the Company at all times.

Provision 1.4 – Delegation by the Board to Board Committees

To assist in the execution of its responsibilities, the Board has established a number of Board Committees, namely the AC, the Nominating Committee ("**NC**") and the Remuneration Committee ("**RC**") (collectively "**Board Committees**"). These Board Committees function within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis to ensure their continued relevance. The effectiveness of each Board Committee is also constantly monitored. The composition of the Board Committees for FY2023 is tabulated below:

Name of Director	Audit Committee	Nominating Committee	Remuneration Committee
Mr. Ang Yu Seng	-	Member	-
Mr. Ang Yew Chye	-	-	-
Mr. Siau Kai Bing	Chairman	Member	Member
Mr. Wong Loke Tan	Member	-	Chairman
Ms. Tan Min-Li	Member	Chairman	Member
Mr. Goi Kok Ming (Wei Guoming)	-	-	-

Provision 1.5 – Board Meetings and Attendance**Provision 1.6 – Access of Information****Provision 1.7 – Independent Access to Management and Company Secretary**

STATEMENT OF CORPORATE GOVERNANCE

The Board currently holds at least two (2) scheduled meetings each year. In addition, it holds additional meetings at such other times as may be necessary to address specific significant matters that may arise. Important matters concerning the Group are also put to the Board for its decision by way of written resolutions. The Company's Constitution has provision for Board meetings to be held via telephone or video conference.

Papers and/or other information are forwarded to the Directors before each meeting for their review and perusal. Members of Management are invited to attend the meetings to present information and/or render clarification when required. Presentations are also made by the Management on the performance and strategies of the Group's various businesses at these meetings. This allows the Board to have a good understanding of the Group's operations and be actively engaged in discussions with the Group's senior executives.

The following table discloses the number of meetings held for Board and Board Committees and the attendance of all Directors for FY2023:

	Board Committee	Audit Committee	Nominating Committee	Remuneration Committee	General Meetings
No. of meetings held	2	2	1	1	1
	No. of meetings attended				
Ang Yu Seng	2	2*	1	1*	1
Ang Yew Chye	2	2*	1*	1*	1
Siau Kai Bing	2	2	1	1	1
Tan Min-Li	2	2	1	1	1
Wong Loke Tan	2	2	1*	1	1
Goi Kok Ming (Wei Guoming)	2	2*	1*	1*	1

* By invitation

Directors are entitled to request for further explanation, briefings or discussions on any aspect of the Group's operations or business from Management. As and when required, Board members meet to exchange views outside the formal environment of Board meetings.

The Board has separate and independent access to the Management and the Company Secretary and where required, can obtain additional information to facilitate informed decision-making. Information includes background or explanatory materials related to matters to be reviewed and matters under review by the Board, copies of disclosure documents, budgets, forecasts, and internal financial statements.

Minutes of all Board Committee meetings are circulated to the Board so that Directors are aware of and kept updated as to the proceedings and matters discussed during such meetings.

The Company Secretary attends Board and Board Committees meetings and is responsible for ensuring that Board procedures are observed and that applicable rules and regulations are complied with. The Company Secretary also periodically updates the Board on relevant regulatory changes affecting the Company. The appointment and removal of the Company Secretary are subject to the approval of the Board.

The Company has in place the procedure to enable the Directors to obtain independent professional advice at the Company's expense as and when necessary, in the furtherance of their duties. Independent advisors include, inter alia, legal, financial, tax, board compensation and M&A functions. The appointment of such professional advisors are subject to the approval of the Board.

STATEMENT OF CORPORATE GOVERNANCE

Board Composition and Guidance

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

Provision 2.1 – Board Independence

Provision 2.2 – Proportion of Independent Directors

Provision 2.3 – Proportion of Non-Executive Directors

Provision 2.4 – Board Composition & Diversity

Provision 2.5 – Meetings of Non-Executive Directors and Independent Directors

Presently, the Board comprises two (2) Executive Directors, one (1) Non-Executive Director and three (3) Independent Directors:

Name of Director	Board
Mr. Ang Yu Seng	Executive Chairman and Chief Executive Officer
Mr. Ang Yew Chye	Executive Director
Mr. Goi Kok Ming (Wei Guoming)	Non-Executive Director
Mr. Siau Kai Bing	Lead Independent Director
Mr. Wong Loke Tan	Independent Director
Ms. Tan Min-Li	Independent Director

There is presently a strong and independent element on the Board. Half of the Board is made up of Independent Directors and the independence of each Director is reviewed by the NC. The criteria for independence is determined based on the definition as provided in the Code and the independence of each Director is reviewed annually by the NC. The Board considers an Independent Director as one who has no relationship with the Company, its related companies, its substantial shareholders or its officers, that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgment of the Group's affairs. The NC has reviewed the independence of each Independent Director and is of the view that these Directors are independent.

The Company is aware that it has deviated from Provision 2.2 of the Code in which states that "independent directors make up a majority of the Board where the Chairman is not independent". The NC has reviewed and deliberated, and with the concurrence of the Board and Board Committees, has opined that the Board's current composition of two (2) Executive Directors, one (1) Non-Executive Director and three (3) Independent Directors is presently still a strong independent element on the Board. Half of the Board is made up of Independent Directors and the number of Executive Directors does not constitute a majority or equal to the number of Independent Directors. Therefore, the Board is of the view that the practices adopted by the Company are consistent with the intent of Principle 2.2 of the Code.

The NC has conducted a rigorous review on the independence of the Independent Director, Mr. Siau Kai Bing and has considered that Mr. Siau Kai Bing is independent even though Mr. Siau has served on the Board beyond nine (9) years. The relevant factors that were taken into consideration in determining the independence of Mr. Siau Kai Bing are set out in Principle 4 below. Having considered the relevant factors, the NC determined that Mr. Siau Kai Bing has demonstrated strong independence in character and judgement over the years in discharging his duties and responsibilities as an Independent Director. His continued presence as an Independent Board member will ensure best practices being followed and provide effective oversight and compliance to good corporate governance.

STATEMENT OF CORPORATE GOVERNANCE

The NC had also conducted a rigorous review on the independence of the Independent Director, Ms. Tan Min-Li who will have served on the Board for nine (9) years on 1 April 2024 and the NC has considered that Ms. Tan Min-Li is independent. The relevant factors that were taken into consideration in determining the independence of Ms. Tan Min-Li are set out in Principle 4 below. Having considered the relevant factors, the NC determined that Ms. Tan Min-Li has demonstrated strong independence in character and judgement over the years in discharging her duties and responsibilities as an Independent Director. Her continued presence as an Independent Board member will ensure best practices being followed and provide effective oversight and compliance to good corporate governance.

Accordingly, the NC recommended to the Board that Mr. Siau Kai Bing and Ms. Tan Min-Li continue to be considered independent, notwithstanding they have served on the Board for nine years or more from the date of their first appointment. Mr. Siau Kai Bing and Ms. Tan Min-Li, being NC members, have abstained from any discussion and voting their own independence respectively.

The Board concurred with the NC's assessment. The Company had adopted the two-tier voting process ahead of the Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST which came into effect on 1 January 2022, Mr. Siau Kai Bing had voluntarily offered himself to be subject to the two-tier voting process in the Annual General Meeting ("AGM") held on 27 October 2021 and was approved by shareholders for his re-election as an Independent Director.

Rule 210(5)(d)(iii) of the Listing Manual of SGX-ST was removed on 11 January 2023 with immediate effect. The Singapore Exchange Regulation limits to nine years the tenure of independent directors serving on the boards of listed issuers. As a transition, Independent Directors whose tenure exceeds the nine-year limit can continue to be deemed independent until the issuer's next AGM to be held in 2024, for the financial year ending 30 June 2024.

In view of the above rule change, Mr. Siau Kai Bing and Ms. Tan Min-Li will continue to be deemed independent until the Company's next AGM to be held in 2024. The Board and the Nominating Committee are presently considering appropriate changes to be made to the Board composition in due course, in order to continue to comply with the Listing Manual, including the search for new, qualified Independent Directors. The Board will make the necessary announcement of any such changes or appointments in due course.

The Company recognises the value of gender diversity and its Board Diversity Policy is to have a diverse range of expertise to provide core competencies such as accounting or finance, business or management experience, legal and regulatory, and industry knowledge. These combined backgrounds provide the core competencies necessary to lead and govern the Group effectively. The NC monitors the implementation of this Policy and will from time to time, review this Policy, as appropriate, to ensure its effectiveness.

The NC reviews the size and composition of the Board and Board Committees of the Company to ensure that the size of the Board and Board Committees is conducive for effective discussions and decision-making and that the Board and Board Committees have the appropriate mix of skills, knowledge and experience as well as an appropriate balance of Independent Directors. The NC, with the concurrence of the Board and Board Committees, considers that the present Board size and number of Committees facilitate effective decision-making and are appropriate for the nature and scope of the Company's operations. The Board will constantly examine its size with a view to determine its impact upon its effectiveness.

The Directors appointed are qualified professionals who, as a group, possess a diverse range of expertise to provide core competencies such as accounting or finance, business or management experience, legal and regulatory, and industry knowledge. These combined backgrounds provide the core competencies necessary to lead and govern the Group effectively. The Directors' objective judgment, collective experience and knowledge are invaluable to the Group and these have allowed for the useful exchange of ideas and views.

The Non-Executive Director and Independent Directors exercise no management functions in the Group. The role of the Non-Executive Director and Independent Directors is particularly important in ensuring that the strategies proposed by Management are fully discussed and rigorously examined, reviewing the performance of Management against meeting agreed goals and objectives, and monitoring the reporting of performance.

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The Company co-ordinates informal meeting sessions for the Non-Executive Director and Independent Directors to meet on a need-basis without the presence of the Management to discuss matters such as the Group's financial performance, corporate governance initiatives, Board processes, succession planning as well as leadership development and the remuneration of the Executive Directors.

Profiles of the Board are set out in "Board of Directors" section of this Annual Report.

Chairman and Chief Executive Officer ("CEO")

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Provision 3.1 and 3.2 - Separation of the role of Chairman and CEO

Mr. Ang Yu Seng, the Executive Chairman and CEO, is also the controlling shareholder of the Company, takes an active role in the Management of the Group.

The responsibilities of the Chairman include:

- (1) scheduling of meetings to enable the Board to perform its duties responsibly while not interfering with the flow of the Group's operations;
- (2) ensuring that Directors receive accurate, timely and clear information, and ensuring effective communication with shareholders;
- (3) ensuring the Group's compliance with the Code; and
- (4) acting in the best interest of the Group and of the shareholders.

The Company Secretaries may be called to assist the Chairman in any of the above. As the CEO, Mr. Ang Yu Seng is responsible for the overall management, strategic direction, ensuring that its organizational objectives are achieved, and the day-to-day operations of the Group.

The Company is aware that it has deviated from Provision 3.1 of the Code which states that "The Chairman and CEO are separate persons to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision-making." The Company is of the view that combining the roles of Chairman and CEO brings about exceptional leadership and clear accountability, and unequalled depth of knowledge to deal with the Group's strategic challenges and growth opportunities.

Provision 3.3 – Lead Independent Director

In view that the Company's Chairman and CEO positions are filled by the same person, the Board has appointed Mr. Siau Kai Bing as the Lead Independent Director to co-ordinate and lead the Independent Directors to provide a non-executive perspective and contribute a balance of viewpoints on the Board. He is the principal liaison on Board issues between the Independent Directors and the Executive Chairman. If the shareholders have any concerns that Executive Chairman and CEO / Financial Controller has failed to resolve or if it is not appropriate to approach them, the shareholders may approach the Lead Independent Director to share their concerns.

The Independent Directors, led by the Lead Independent Director, meet amongst themselves without the presence of other Directors where necessary and the Lead Independent Director will provide feedback to the Chairman after such meetings.

The Board is of the opinion that there is sufficient independence in its exercise of objective judgment on business affairs of the Group, in compliance with the intent of Principle 3 of the Code, in which no one individual has unfettered powers of decision-making, notwithstanding that the roles of Chairman and CEO are not separate.

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Board Membership

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

Provisions 4.1 & 4.2 – NC Composition and Role

The Board, through the delegation of its authority to the NC, has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in business, finance and management skill to enable the Board to make effective decisions.

The NC comprises two (2) Independent Directors and one (1) Executive Director as follows:

Nominating Committee

Ms. Tan Min-Li (Chairman)
Mr. Ang Yu Seng
Mr. Siau Kai Bing

Based on the written terms of reference approved by the Board, the principal functions of the NC are:

- (1) reviewing and making recommendations to the Board on all candidates nominated for appointment to the Board of the Company and of its subsidiaries;
- (2) reviewing and recommending to the Board on an annual basis, the Board structure, size and composition, taking into account, the balance between Executive Directors, Non-Executive Directors and Independent Directors to ensure that the Board as a whole possesses the right blend of relevant experiences and core competencies to effectively manage the Company;
- (3) procuring that at least one-third of the Board shall comprise Independent Directors;
- (4) identifying and making recommendations to the Board as to which Directors are to retire by rotation and to be put forward for re-election at each AGM of the Company, having regard to the Directors' contribution and performance, including the Independent Directors;
- (5) determining whether a Director is independent; and
- (6) proposing a set of objective performance criteria to the Board for approval and implementation, evaluating the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board.

Provision 4.3 – Reviewing and recommending nomination for appointment and re-appointment of Directors

The NC is responsible for identifying and recommending new Directors to the Board, after considering the necessary and desirable competencies. In selecting potential new Directors, the NC will seek to identify the competencies required to enable the Board to fulfil its responsibilities. The NC may engage consultants to undertake research on, or assess, candidates applying for new positions on the Board, or to engage such other independent experts, as it considers necessary to carry out its duties and responsibilities. Recommendations for new Directors are put to the Board for its consideration.

New Directors are appointed by way of a Board resolution following which they are subject to re-election at the next AGM.

The Company's Constitution requires one-third of the Board (except for the Managing Director) to retire by rotation at every AGM. Directors who retire are eligible to offer themselves for re-election. Pursuant to Regulation 97 of the Company's Constitution, Directors of the Company who were newly appointed by the Board since the last AGM will have to retire at the forthcoming AGM.

The NC has recommended to the Board that Mr. Ang Yu Seng and Mr. Wong Loke Tan be nominated for re-election under Regulation 91 of the Company's Constitution at the forthcoming AGM. The Board accepted the NC's recommendation.

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Each member of the NC shall abstain from voting on any resolutions in respect of his or her re-nomination as a Director.

Provision 4.4 – Continuous review of Director's Independence

The NC is guided by the definition and criteria of independence given in the Code in determining if a Director is independent. Each Independent Director is required to complete a Confirmation of Independence form drawn up based on the Principle 2 of the Code for the NC's review and recommendation to the Board.

In considering whether an Independent Director who has served on the Board beyond 9 years is still independent, the Board has taken into consideration the following factors:

- (1) the amount of experience and wealth of knowledge that the Independent Director brings to the Company;
- (2) the attendance, active participation and ability to express his views independently at all times and present constructive challenges on issues, in the proceedings and decision-making process of the Board and Board Committee meetings;
- (3) provision of continuity and stability to the Management at the Board level as the independent Director has developed deep insight into the business of the Company and possesses experience and knowledge of the business;
- (4) the qualifications of the Independent Director and his expertise provide reasonable checks and balances for the Management;
- (5) the Independent Director has provided adequate attention and sufficient time has been devoted to the proceedings and business of the Company. He is adequately prepared, responsive and heavily involved in the discussions at the meeting; and
- (6) the Independent Director provides overall guidance to Management and acts as a safeguard for the protection of Company's assets and shareholders' interests.

In this regard, the NC has conducted a rigorous review of the suitability of Mr. Siau Kai Bing and Ms Tan Min-Li being the Independent Directors who have served on the Board for 9 years or beyond and has determined that Mr. Siau Kai Bing and Ms Tan Min-Li remain independent. Mr. Siau Kai Bing and Ms Tan Min-Li had abstained from voting on any resolution in respect of their own respective appointments. In addition, the NC is of the view that Mr. Wong Loke Tan is independent (as defined in the Code) and is able to exercise judgement on the corporate affairs of the Group, independent of the Management.

The Board concurred with the NC's view that the three (3) Independent Directors are independent in character and judgement and there were no circumstances which would likely affect or appear to affect their judgement.

There is no alternate Director being appointed to the Board during FY2023.

Provision 4.5 – Directors' Commitments and Obligations

Despite some of the Directors having other Board representations, the NC is satisfied that these Directors are able to and have adequately carried out their duties as Directors of the Company. Currently, the Board has not determined the maximum number of listed Board representations which any director may hold. The NC and the Board will review the requirement to determine the maximum number of listed Board representations as and when it deems fit.

The key information regarding Directors such as academic and professional qualifications, Board Committees served, directorships or chairmanships both present and past held over the preceding three years in other listed companies and other major appointments, whether the appointment is executive or non-executive are set out in "Particulars of Directors pursuant to the Code of Corporate Governance" in the Annual Report.

Board Performance

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

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Provision 5.1 – Performance Criteria and Evaluation

Provision 5.2 – Assessment of the Board, Board Committees and Directors

While the Code recommends the NC being responsible for assessing the Board as a whole and also the individual evaluation of each Director's contribution, the NC is of the view that it is more appropriate and effective to assess the Board as a whole, bearing in mind that each member of the Board contributes in different way to the success of the Company and Board decisions are made collectively.

The NC has established a review process to assess the performance and effectiveness of the Board as a whole, the Board Committees and individual self-assessment to assess each Director's contribution to the Board's effectiveness. During FY2023, all Directors were requested to complete a Board Committees, Board and Individual Director Evaluation questionnaire designed to seek their views on the various aspects of the Board's performance so as to assess the overall effectiveness of the Board. No external facilitator was used during the evaluation process in FY2023.

The responses were collated and reviewed by the NC which then made recommendations to the Board aimed at helping the Board to discharge its duties more effectively. The appraisal process focuses on a set of performance criteria which includes the evaluation of the size and composition of the Board, the Board's access to information, Board processes and accountability, Board performance in relation to discharging its principal responsibilities and the Directors' standards of conduct. Following the review, the NC is of the view that the Board and its Board Committees operate effectively and each Director is contributing to the overall effectiveness of the Board.

The Board and the NC have endeavoured to ensure that Directors appointed to the Board possess the relevant experience, knowledge and expertise critical to the Group's business.

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

Provision 6.1 and 6.2 – Remuneration Committee Role and Composition

Provision 6.3 – Reviewing of Remuneration and Termination Terms

Provision 6.4 – Remuneration Consultants

The RC comprises three (3) Independent Directors as follows:

Remuneration Committee

Mr. Wong Loke Tan (Chairman)

Mr. Siau Kai Bing

Ms. Tan Min-Li

The RC is established for the purpose of ensuring that there is a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. The overriding principle is that no Director should be involved in deciding his or her own remuneration. It has adopted written terms of reference that defines its membership, roles and functions, and administration.

The duties of the RC are as follows:

- (1) reviewing and recommending to the Board a framework of remuneration and specific remuneration packages for all Directors of the Company;
- (2) reviewing the service contracts of Executive Directors;

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- (3) reviewing and enhancing the compensation structure with incentive performance for key management personnel; and
- (4) overseeing the general compensation of employees of the Group with a goal to motivate, recruit and retain employees and directors through competitive compensation and progressive policies.

No Director is involved in deciding his own remuneration, except in providing information and documents if specifically requested by the RC to assist in its deliberations.

In reviewing the service agreements of the Executive Directors and key management personnel of the Company, the RC reviews the Company's obligations arising in the event of termination of these service agreements to ensure that such service agreements contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoids rewarding poor performance.

The RC has full authority to engage any external professional advice on matters relating to remuneration as and when the need arises. The expenses of such services shall be borne by the Company. There were no remuneration consultants engaged by the Company in FY2023.

Level and Mix of Remuneration

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

Provision 7.1 – Remuneration of Executive Directors and Key Management Personnel (“KMP”)

Provision 7.2 – Remuneration of Non-Executive Directors

Provision 7.3 – Appropriateness of Remuneration to attract, retain and motivate the Executive Directors and KMP

The remuneration policy of the Company is to provide compensation packages at market rates, which reward successful performance and attract, retain and motivate Directors and KMP.

The Executive Directors and KMP's remuneration packages are based on service agreements and their remuneration is determined by having regard to the performance of the individuals, the Group and industry benchmarks. The remuneration packages for the Executive Directors and KMP staff are made up of both fixed and variable components. The variable component is determined based on the performance of the individual employee as well as the Group's performance. The service agreements of the Executive Directors have been renewed for a further period of three (3) years with effect from 1 July 2021. The Executive Directors do not receive Directors' fees.

Non-Executive Director and Independent Directors are paid Directors' fees of an agreed amount based on their contributions, taking into account factors such as effort and time spent and the respective responsibilities of the Directors. Directors' fees are recommended by the Board for approval at the Company's AGM.

The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and KMP in exceptional circumstances of misstatement of financial results or of misconduct resulting in financial loss to the Company. The Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedy against the Executive Directors in the event of such breach of fiduciary duties.

Directors' Remuneration

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Provision 8.1 – Remuneration of Directors and Top 5 Key Management Personnel

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A breakdown showing the level and mix of remuneration paid/payable for FY2023 to each individual Director of the Company is as follows:

Name of Director	Salary	Bonus	Director's Fees	Allowances and Other Benefits	Total
	%	%	%	%	%
<u>S\$750,000 to below S\$1,250,000</u>					
Mr. Ang Yu Seng	44	4	–	52	100
<u>S\$500,000 to below S\$750,000</u>					
Mr. Ang Yew Chye	47	4	–	49	100
<u>Below S\$250,000</u>					
Mr. Goi Kok Ming	–	–	100	–	100
Mr. Siau Kai Bing	–	–	100	–	100
Mr. Wong Loke Tan	–	–	100	–	100
Ms. Tan Min-Li	–	–	100	–	100

For FY2023, the Company only identified three (3) key management personnel. Details of remuneration paid to top key management personnel of the Group (who is not Directors or CEO) for FY2023 are set out below:

Name of Key Management Personnel	Salary	Bonus	Allowances and Other Benefits	Total
	%	%	%	%
<u>S\$750,000 to below S\$1,250,000</u>				
Mr. Wilson Ong	37	3	60	100
<u>S\$250,000 to below S\$500,000</u>				
Mr. Ang Jun Long	53	5	42	100
<u>Below S\$250,000</u>				
Ms. Liu Wen Juan	65	23	12	100

After careful consideration and taking into account the general sensitivity and confidentiality associated with remuneration matter and the highly competitive human resource environment in which the Group operates, the Board is of the view that notwithstanding the deviation from Provision 8.1 of the Code, the Company is transparent on its remuneration policies, which has been disclosed not only as part of compliance with Principle 8 but also in respect of Principle 7 of the Code. The Company has also disclosed the remuneration of each Director and key management personnel in remuneration bands with breakdown of the components of their remuneration, for transparency. Accordingly, the Board is of the view that the non-disclosure of the exact quantum of the remuneration of each Director and key management personnel will not be prejudicial to the interest of shareholders and complies with the intent of Provision 8.1 of the Code.

There were no terminations, retirement or post-employment benefits granted to Directors and key management personnel other than the standard contractual notice period termination payment in lieu of service for FY2023.

Provision 8.2 – Immediate Family Member of Directors, CEO or Substantial Shareholder whose remuneration amounts exceed S\$100,000 per annum

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There are two (2) employees of the Group who are immediate family members of the Company's Executive Directors, Mr. Ang Jun Long, son of Mr. Ang Yu Seng and Ms. Ang Ru Mei, Renne, daughter of Mr. Ang Yew Chye. The basis for determining the compensation of our related employees is the same as the basis of determining the compensation of other unrelated employees.

Details of remuneration paid to the immediate family members of Directors or CEO for FY2023 are set out below:

Name of Immediate Family Member	Salary	Bonus	Allowances and Other Benefits	Total
	%	%	%	%
<u>S\$400,000 to below S\$500,000</u>				
Mr. Ang Jun Long	53	5	42	100
<u>S\$200,000 to below S\$400,000</u>				
Nil	-	-	-	-
<u>S\$100,000 to below S\$200,000</u>				
Ms. Ang Ru Mei, Renne	57	15	28	100

Save for the above disclosure, the Company does not have any employee who is an immediate family member of a Director or CEO in FY2023.

In view of confidentiality of remuneration matters, the Board is of the opinion that it is in the best interests of the Group not to disclose the exact remuneration of Directors and key management personnel in the Annual Report.

Provision 8.3 – Disclosure of all forms of remuneration, and other payments and benefits paid by the Company and its subsidiaries to Directors and KMP in Annual Report

The Company does not have in place any share-based compensation scheme or any long-term incentive scheme involving the offer of shares or options other than the remuneration disclosed above.

(C) ACCOUNTABILITY AND AUDIT

Risk Management and Internal Control

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

Provision 9.1 – Nature and Extent of Significant Risks

The Board is responsible for the overall risk management and internal control framework, but acknowledges that no cost-effective risk management and internal controls system will preclude errors and irregularities. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The internal controls in place will address the financial, operational, compliance and information technology risks, and the objectives of these controls are to provide reasonable assurance that there are no material financial misstatements or material loss and assets are safeguarded.

As the Group does not have a risk management committee, the Board and Management assume the responsibility of the risk management function. Management is responsible for designing, implementing and monitoring the risk management and internal control systems. Management reviews regularly the Group's business and operational activities to identify areas of significant risks as well as appropriate measures to control and mitigate these risks. Management reviews significant policies and procedures and highlights significant matters to the Board and the AC.

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Relying on the reports from the internal auditors (“IA”) and EA, the AC carried out assessments of the adequacy and effectiveness of key internal controls during the financial year. Any material non-compliance or weaknesses in internal controls or recommendations from the IA and EA to further improve the internal controls were reported to the AC. The AC will follow up on the actions taken by the Management for those recommendations made by both the IA and EA.

As the Group continues to grow and with the business environment evolving, the Board will continue to review and take appropriate steps to strengthen the Group’s overall system of risk management and internal controls. The Board and the AC also noted that all internal controls contain inherent limitations and no systems of internal controls can provide absolute assurance against the occurrence of material errors, poor judgment in decision making, human errors, losses, fraud or other irregularities.

Provision 9.2 – Assurance from the CEO, Financial Officer and KMP

The CEO and the Financial Controller (“FC”) have assured the Board that:

- (1) the financial records have been properly maintained and the financial statements for FY2023 give a true and fair view of the Company’s operations and finances; and
- (2) the Group risk management and internal control systems are operating adequately and effectively in all material aspects given its current business environment.

Based on the reports and work performed by both the IA and EA, the assurance from Management and the on-going review as well as the continuing efforts in enhancing controls and processes which are currently in place, the Board, with the concurrence of the AC, is of the opinion that there are adequate and effective internal controls and risk management systems in place for the Group to address financial, operational, compliance and information technology risks of the Group for FY2023.

As the Company does not have a Chief Financial Officer, the FC is the most senior staff member responsible for the Group’s financial matters. The Company is of the view that it would be appropriate to obtain the FC’s assurance in addition to the CEO’s assurance.

Audit Committee

Principle 10: The Board has an Audit Committee (“AC”) which discharges its duties objectively.

Provisions 10.1 & 10.2 – Audit Committee’s Role and Composition

The AC comprises entirely of Independent Non-Executive Directors which are as follows:

Audit Committee

Mr. Siau Kai Bing (Chairman)
Mr. Wong Loke Tan
Ms. Tan Min-Li

The AC is established to assist the Board with discharging its responsibility of safeguarding the Company’s assets, maintaining adequate accounting records and developing and maintaining effective systems of internal control. The Board is of the opinion that the members of the AC possess the necessary accounting or related financial management qualifications, expertise and experience in discharging their duties. The details of the Board member’s qualifications and experience are presented in this Annual Report under the heading “Board of Directors”.

The AC has written terms of reference, setting out their duties and responsibilities, which include the following:

- (1) monitor the integrity of the financial information provided by the Company;
- (2) assess and challenge, where necessary, the correctness, completeness, and consistency of financial information (including interim reports) before submittal to the Board for approval or made public;

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- (3) review any formal announcements relating to the Company's financial performance;
- (4) discuss problems and concerns, if any, arising from the interim and final audits, in consultation with the EA and the IA where necessary;
- (5) assess the adequacy and effectiveness of the internal controls and risk management (including financial, operational, compliance, information technology controls) systems established by Management to identify, assess, manage, and disclose financial and non-financial risks (including those relating to compliances with existing legislation and regulation) at least once a year in compliance with Guideline 10.1 of the Code;
- (6) review and ensure that the assurance has been received from the CEO (or equivalent) and the Financial Controller in relation to the interim/final unaudited financial statement and system of the risk management and internal control;
- (7) review the IA's reports on the effectiveness of the systems for internal controls, financial reporting and risk management;
- (8) monitor and assess the role and effectiveness of the internal audit function in the overall context of the Company's risk management system;
- (9) in connection with the terms of engagement to the EA, to make recommendations to the Board on the selection, appointment, reappointment, and resignation of the EA based on a thorough assessment of the EA's functioning, and approve the remuneration and terms of engagement of the EA;
- (10) monitor and assess the EA's independence and keep the nature and extent of non-audit services provided by the EA under review to ensure the EA's independence or objectivity is not impaired;
- (11) assess, at the end of the audit cycle, the effectiveness of the audit process;
- (12) review interested person transactions to consider whether they are on normal commercial terms and are not prejudicial to the interests of the Company or its minority shareholders; and
- (13) review the Company's procedures for detecting fraud and ensure that arrangements are in place by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control, or any other matters.

Apart from the duties listed above, the AC is given the task of commissioning investigations into matters where there is suspected fraud or irregularity, or failure of internal controls or infringement of any law, rule or regulation which has or is likely to have a material impact on the Company's operating results or financial position, and to review its findings.

The AC evaluated the performance of the EA based on the key indicators of audit quality set out in the Guidance to Audit Committees on Evaluation of Quality of Work performed by EA.

The AC has full access to and the co-operation of Management and the full discretion to invite any Director or Executive Officer to attend its meetings and has reasonable resources to enable it to discharge its functions properly. The EA has unrestricted access to the AC.

The AC recommends to the Board the proposals to the shareholders on the appointment, re-appointment and removal of the EA and approving the remuneration of the EA. The AC has recommended to the Board the nomination of CLA Global TS Public Accounting Corporation for re-appointment as EA at the forthcoming AGM of the Company. The Company confirmed that Rule 712 and Rule 715 of the Listing Manual of the SGX-ST has been complied with.

The AC noted that there are no non-audit services provided by the EA and is satisfied that the independence and objectivity of the EA are not prejudiced. For FY2023, the fees that are charged to the Group by the EA for audit services were approximately S\$216,000.

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In the review of the financial statements for FY2023, the AC had discussed with Management and the EA on changes to accounting standards and significant issues and assumptions that impact the financial statements. The most significant matters were also included in the Independent Auditor's Report to the members of the Company under "Key Audit Matters". In assessing the Key Audit Matters, the AC took into consideration the approach and the key assumptions applied in the review of the Key Audit Matters as provided in the Independent Auditor's Report. The AC concluded that management's accounting treatment and estimates in the Key Audit Matters were appropriate.

Anti-Bribery Compliance Policy

The Group has implemented an anti-bribery compliance policy to demonstrate its commitment and has provided standards of conduct for employees and third-party representatives to conduct its businesses in a professional, fair, ethical manner and in compliance with anti-bribery and corruption laws in the various jurisdictions in which the Group has its business presence.

As of to-date, there were no reports received through the anti-bribery channels.

Fraud Risk Management Policy

The Group has implemented a fraud risk management policy to prevent, detect and respond to incidents of fraud. Any acts of fraud committed by employees or parties may face consequences such as disciplinary warnings, termination of employment or other contractual relationship, and be reported to the appropriate law enforcement or regulatory body.

Fraud risk assessment, fraud communication and training, background and due diligence checks are preventive measures taken by the Group to detect fraud.

This policy is reviewed at least annually and revised, where applicable, to meet the changing needs of the Group. As of to-date, there were no incidents of fraud detected.

Whistle-Blowing Policy

The Group also has implemented a whistle blowing policy whereby accessible channels are provided for employees to raise concerns about possible improprieties in matters of financial reporting or other matters which they become aware and to ensure that:

- (1) independent investigations are carried out in an appropriate and timely manner;
- (2) appropriate action is taken to correct the weakness in internal controls and policies which allowed the perpetration of fraud and/ or misconduct and to prevent a recurrence; and
- (3) administrative, disciplinary, civil and/or criminal actions that are initiated following the completion of investigations are appropriate, balance and fair, while providing reassurance that employees will be protected from reprisals or victimisation for whistle blowing in good faith and without malice.

As of to-date, there were no reports received through the whistle blowing mechanism.

The AC is kept updated annually or from time to time on any changes to the accounting and financial reporting standards by the EA. No former partner or director of the Company's existing auditing firm has acted as a member of the AC.

Provision 10.3 – AC does not comprise former partners or directors of the company's existing auditing firm or auditing corporation

There is no former partner or director of the Company's existing auditing firm or auditing corporation who is also a member of the AC.

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Provision 10.4 – Reporting Line of Internal Audit Function**Internal Audit Function**

The Company has outsourced its internal audit functions and has appointed a professional firm, In.Corp Business Advisory Pte. Ltd. as the IA. The IA reviews the effectiveness of internal controls as directed by the AC. Procedures are in place for the IA to report independently on their findings and recommendations to the AC for review. Management will update the AC on the status of the remedial action plans. The IA has unfettered access to all the Company's documents, records, properties, and personnel, including access to the AC and the IA reports primarily to the AC.

The AC approves the hiring, removal, evaluation and compensation of the internal audit function which the IA is outsourced. The AC also annually reviews the adequacy and effectiveness of the IA to ensure that resources are adequate and that the internal audits are performed effectively.

The AC is satisfied that the internal audit function is staffed by suitably qualified and experienced professionals with the relevant experience to perform its function effectively.

Provision 10.5 – Meeting Auditors without the Management

The AC will meet with the EA and the IA without the presence of the Management as and when necessary to review the adequacy of audit arrangements with emphasis on the scope, findings and quality of their audit, the independence, objectivity, and observations of the EA.

(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES**Shareholder Rights and Conduct of General Meetings**

Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Provision 11.1 – Participating and Voting at General Meetings**Provision 11.2 – Tabling of Resolutions**

The Company does not practise selective disclosure. In line with the continuous obligations of the Company under the SGX-ST Listing Manual and the Companies Act 1967, the Board's policy is that all shareholders should equally and on a timely basis, be informed of all major developments that impact the Group via SGXNet.

Shareholders are informed of general meetings through the announcements released to the SGXNet and notice contained in the annual report or circulars sent to all shareholders. These notices are also advertised in a national newspaper and published on the Company's corporate website at <https://www.unionsteel.com.sg>. Shareholders are also informed on the procedures for the poll voting at the general meetings.

An external firm shall be appointed as the scrutineer for the AGM voting process, which is independent of the firm appointed to undertake the poll voting process. This is in compliance with the Rule 730A(3) of the SGX-ST Listing Rule.

Each item of special business included in the notice of the general meetings will be accompanied by explanation of the effects of a proposed resolution. Separate resolutions are proposed for each substantially separate issue at general meetings.

Detailed information on each item in the AGM agenda is provided in the explanatory notes to the Notice of AGM on pages 126 to 129 of this Annual Report.

STATEMENT OF CORPORATE GOVERNANCE

Provision 11.3 – Interaction with Shareholders

Provision 11.4 – Shareholders’ Participation

All Shareholders are entitled to attend the general meetings and provide the opportunity to participate in the general meetings. If any Shareholder is unable to attend, he/she is allowed to appoint up to two (2) proxies to vote on his/her behalf at the general meeting through proxy forms sent in advance. The Company’s current Constitution does not include the nominee or custodial services to appoint more than two (2) proxies.

On 3 January 2016, the legislation was amended, among other things, to allow certain members, defined as “Relevant Intermediary” to attend and participate in general meetings without being constrained by the two-proxy requirement. Relevant intermediary includes corporations holding licenses in providing nominee and custodial services and the CPF Board which purchases shares on behalf of the CPF investors.

The shareholders are encouraged to attend the Company’s general meetings to ensure a high level of accountability and to stay informed of the Group’s strategies and growth plans. Notice of the general meetings are dispatched to shareholders, together with explanatory notes or a circular on items of special businesses (if necessary), at least 14 clear calendar days before the meeting. The Board welcomes questions from shareholders who wish to raise issues, either informally or formally before or during the general meetings.

The Company acknowledges that voting by poll in all its general meetings is integral in the enhancement of corporate governance. The Company adheres to the requirements of the Listing Manual of the SGX-ST and the Code where all resolutions at the Company’s general meetings held on or after 1 August 2015, are put to vote by poll. The detailed results of each resolution are announced via SGXNet after the general meetings.

All Directors, including the Chairman of the AC, NC and RC are normally present and available to address questions relating to the work of their respective Board Committees at general meetings. Furthermore, the EA is present to assist our Board in addressing any relevant queries by our shareholders.

Provision 11.5 – Minutes of General Meetings

The Company will make available minutes of general meetings to shareholders upon their request.

The Company will publish the minutes of general meetings of shareholders on both the SGX website via SGXNet and the Company’s website as soon as practicable.

Provision 11.6 – Dividend Policy

The Group does not have a fixed dividend policy at present. The form, frequency and amount of dividends declared each year will take into consideration the Group’s profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate. For FY2023, the Board has recommended a final dividend of 5.0 cents per share which is subject to shareholders’ approval at the forthcoming AGM of the Company.

ENGAGEMENT WITH SHAREHOLDERS

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

Provision 12.1 – Communication between the Board and Shareholders

Provision 12.2 & 12.3 – Investor Relations Policy

The Company believes in high standards of transparent corporate disclosure and is committed to disclose to its shareholders, the information in a timely and fair manner via SGXNet. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly to all others as soon as practicable. Communication is made through:

STATEMENT OF CORPORATE GOVERNANCE

- annual report prepared and issued to all shareholders. The Board ensures that the annual report includes all relevant information about the Company and the Group, including future developments, if any, and other disclosures required by the Companies Act 1967 and Singapore Financial Reporting Standards;
- interim announcements containing a summary of the financial information and affairs of the Group for that period;
- press releases on major developments of the Group;
- notices of explanatory memoranda for AGMs and Extraordinary General Meetings (“EGM”). The notice of AGM and EGM are also advertised in a national newspaper; and
- the Company’s website at “<https://www.unionsteel.com.sg>” at which shareholders can access financial information, corporation announcements, press releases, annual reports and profile of the Group.

By supplying shareholders with reliable and timely information, the Company is able to strengthen the relationship with its shareholders based on trust and accessibility.

To enable shareholders to contact the Company easily, the Shareholders may reach the Corporate Marketing and Finance Team of the Company at the registered office of the Company and the contact details are set out in the corporate information of the Annual Report as well as on the Company’s website.

MANAGING STAKEHOLDINGS RELATIONSHIPS

Engagement With Stakeholders

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

Provision 13.1 – Arrangements to Identify and Engage with Stakeholders

Provision 13.2 – Maintaining a current corporate website to communicate and engage with stakeholders

The Company acknowledges the importance for establishing effective communication among the stakeholders through regular engagement and various communication platforms to achieve mutually beneficial goals.

The Company has identified five key stakeholders’ groups, namely, the shareholders and investors, customers, suppliers, employees and public and communities.

The Company has undertaken a process to determine the environmental, social and governance (ESG) issues which are important to these stakeholders. These issues form the materiality matrix upon which targets, performance and progress are reviewed and endorsed by the Board annually.

The Company’s approach to the engagement with key stakeholders and materiality assessment is disclosed in the Company’s Sustainability Report for FY2023 and which has mapped out the key areas of focus in relation to the management of the respective stakeholder relationships. The Company will continue to monitor and improve to ensure that the best interests of the Company.

The Company does not practice selective disclosure. Price sensitive information is first publicly released through SGXNet, either before the Company meets with any investors or analysts. All shareholders of the Company will be notified on the publication of the annual report with notice of AGM within the mandatory period via SGXNet and the Company’s corporate website and the AGM is held within four months after the close of the financial year.

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Provision 13.3 – Corporate Website

To promote regular, effective and fair communication with stakeholders, the Company maintains a corporate website at <https://www.unionsteel.com.sg> through which stakeholders are able to access up-to date information on the Group. The website provides annual reports, financial information, stock information, profiles of the Group, and contact details of the investor relations of the Group.

(E) DEALINGS IN COMPANY'S SECURITIES

In compliance with Rule 1207(19) of the SGX-ST Listing Manual, the Company has adopted a Code of Best Practices to provide guidance to its officers on securities transactions by the Company and its officers.

The Company and its officers are not allowed to deal in the Company's shares during the period commencing two weeks before the announcement of the Company's financial results for the first half year of its financial year, and one month before the announcement of the Company's full-year financial results and ending on the date of the announcement of the relevant results.

Directors and executives are also expected to observe insider-trading laws at all times even when dealing with securities within the permitted trading period or when they are in possession of unpublished price-sensitive information, and they are not to deal in the Company's securities on short-term considerations.

(F) MATERIAL CONTRACTS

There were no material contracts of the Company and its subsidiaries involving the interests of the CEO, each Director or controlling shareholder, either still subsisting at the end of the financial year or entered into since the end of the previous financial year.

(G) INTERESTED PERSON TRANSACTIONS

The Company has established a procedure for recording and reporting interested person transactions ("IPTs"). All IPTs are subject to review by the AC to ensure that they were conducted on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

There were no IPTs and any of its interested persons (namely, Directors, CEO or controlling shareholders of the Group or the associates of such Directors, CEO or controlling shareholders) subsisting for FY2023.

STATEMENT OF CORPORATE GOVERNANCE

PARTICULARS OF DIRECTORS PURSUANT TO THE CODE OF CORPORATE GOVERNANCE

Name of Director	Board Appointment Executive/Non-Executive	Board Committees as Chairman or Member	Directorship Date First Appointed	Date of Re-election	Directorships in the other listed companies and other major appointments	Past directorships in other listed companies and other major appointment over the preceding 3 years
Mr. Ang Yu Seng	Executive Chairman and Chief Executive Officer	<ul style="list-style-type: none"> Chairman of the Board Member of the Nominating Committee 	12 August 2004	29 October 2020	Nil	Nil
Mr. Ang Yew Chye	Executive Director	<ul style="list-style-type: none"> Board Member 	12 August 2004	27 October 2022	Nil	Nil
Mr. Siau Kai Bing	Lead Independent Director	<ul style="list-style-type: none"> Board Member Chairman of the Audit Committee Member of the Nominating Committee & Remuneration Committee 	28 June 2005	27 October 2021	<ul style="list-style-type: none"> Nordic Group Limited Econ Healthcare (Asia) Limited 	Nil
Ms. Tan Min-Li	Independent Director	<ul style="list-style-type: none"> Board Member Chairman of the Nominating Committee Member of the Audit Committee & Remuneration Committee 	1 April 2015	27 October 2021	<ul style="list-style-type: none"> CNPLaw LLP Anchun International Holdings Ltd Ocean Sky International Limited GSH Corporation Limited 	Nil
Mr. Wong Loke Tan	Independent Director	<ul style="list-style-type: none"> Board Member, Chairman of the Remuneration Committee Member of the Audit Committee 	18 November 2016	29 October 2020	<ul style="list-style-type: none"> Koyo International Limited Adventus Holdings Limited K2 F&B Holdings Limited International Cement Group Ltd. 	Nil
Mr. Goi Kok Ming (Wei Guoming)	Non-Executive Director	<ul style="list-style-type: none"> Board Member 	8 August 2019	27 October 2022	<ul style="list-style-type: none"> GSH Corporation Limited Hanwell Holdings Limited Serial System Ltd 	Nil

STATEMENT OF CORPORATE GOVERNANCE

ADDITIONAL INFORMATION ON DIRECTORS NOMINATED FOR RE-ELECTION – Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information as set out in Appendix 7.4.1 of the Listing Manual of the SGX-ST relating to Mr. Ang Yu Seng and Mr. Wong Loke Tan, being the Directors who are retiring in accordance with the Company's Constitution at the forthcoming AGM, is set out below:

Details	Name of Director	
	Ang Yu Seng	Wong Loke Tan
Date of Appointment	12 August 2004	18 November 2016
Date of last re-appointment (if applicable)	29 October 2020	29 October 2020
Age	67	68
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of the Company has accepted NC's recommendation, who has reviewed and considered Mr. Ang Yu Seng's performance as an Executive Chairman and Chief Executive Officer of the Company.	The Board of the Company has accepted the NC's recommendation, who has reviewed and considered that Mr. Wong Loke Tan is able to exercise judgement as the Independent Director on the corporate affairs of the Group and independent of the Management. The Board considers Mr. Wong Loke Tan to be independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST
Whether appointment is executive, and if so, the area of responsibility	Executive. Mr. Ang is responsible for developing and driving the growth strategies of the companies in the Group.	Non-Executive.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Chairman and Chief Executive Officer, and member of Nominating Committee	Independent Director, Chairman of the Remuneration Committee and member of the Audit Committee
Professional qualifications	-	<ol style="list-style-type: none"> 1. Master of Business Administration, Brunel University, London 2. Executive Diploma in Directorship, Singapore Management University and Singapore Institute of Directors
Working experience and occupation(s) during the past 10 years	Mr. Ang Yu Seng is the co-founder of the Group. He was appointed as Executive Chairman and Chief Executive Officer on 12 August 2004. He is responsible for developing and driving the growth strategies of the companies in the Group. Mr. Ang has more than 30 years of experience in the scrap metal recycling and steel trading businesses.	<ol style="list-style-type: none"> 1. Senior Vice President, Maybank Singapore July 2003 to June 2016 2. Independent Director, Koyo International Limited since August 2016 to current 3. Independent Director, Adventus Holdings Limited since May 2017 to current 4. Independent Non-Executive Director, K2 F&B Holdings Limited since February 2019 to current 5. Non-Executive Independent Director, International Cement Group Ltd. since December 2019 to current
Shareholding interest in the listed issuer and its subsidiaries	13,724,840 Ordinary Shares	Nil

STATEMENT OF CORPORATE GOVERNANCE

Details	Name of Director	
	Ang Yu Seng	Wong Loke Tan
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Brother of Mr. Ang Yew Chye, who is an Executive Director of the Company	Nil
Conflict of interest (including any competing business)	Nil	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments Including Directorships	<p>Past (for the last 5 years)</p> <ul style="list-style-type: none"> • Megafab Engineering Pte Ltd <p>Present</p> <ul style="list-style-type: none"> • Yew Lee Seng Metal Pte Ltd • YLS Steel Pte Ltd • Hock Ann Marine Scaffolding Pte Ltd • Hock Ann Metal Scaffolding Pte Ltd • Union Engineering Pte Ltd • Union Steel Pte Ltd • Union Applied Engineering Sdn Bhd (FKA Union CHH Sdn Bhd) • Gee Sheng Machinery & Engineering Pte Ltd • Used Equipment Pte Ltd • Transvictory Holdings Pte Ltd • Transvictory Winch System Pte Ltd • Steadfast Offshore & Marine Pte Ltd • YLS Holdings Sdn Bhd • BTH Holdings Pte. Ltd. • Applied Engineering Pte. Ltd. • Marshal Systems Private Limited • Promoter Hydraulics Pte. Ltd. • Fastweld Engineering Construction Pte. Ltd. • Marshal Offshore and Marine Engrg Co., Ltd 	<p>Past (for the last 5 years)</p> <p>Nil</p> <p>Present</p> <ul style="list-style-type: none"> • Independent Director of Koyo International Limited since 12 August 2016 to 22 February 2017 and re-designated Non-Executive Independent Chairman on 23 February 2017 to current; • Independent Director of Adventus Holdings Limited since 11 May 2017 to current; • Independent Non-Executive Director of K2 F & B Holdings Limited (listed on main board of Hong Kong Stock Exchange) since 01 February 2019 to current. • Non-Executive Independent Director of International Cement Group Ltd. since 31 December 2019 to current • Director of Compact Metal Industries Pte. Ltd. • Director of Integrate Private Limited

STATEMENT OF CORPORATE GOVERNANCE

Details	Name of Director	
	Ang Yu Seng	Wong Loke Tan
The general statutory disclosures of the Directors are as follows:		
a. Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
b. Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
c. Whether there is any unsatisfied judgment against him?	No	No
d. Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
e. Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
f. Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
g. Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
h. Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
i. Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
j. Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:		

STATEMENT OF CORPORATE GOVERNANCE

Details	Name of Director	
	Ang Yu Seng	Wong Loke Tan
i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
k. Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
Any prior experience as a director of an issuer listed on the Exchange?	Yes	Yes
If yes, please provide details of prior experience.	Union Steel Holdings Limited	<ul style="list-style-type: none"> • Independent Non-Executive Chairman of Koyo International Limited • Independent Director of Union Steel Holdings Limited • Non-Executive Independent Director of Adventus Holdings Limited • Independent Non-Executive Director of K2 F&B Holdings Limited • Non-Executive Independent Director of International Cement Group Ltd.
If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	-	-

Directors' Statement

The directors present their statement to the members together with the audited consolidated financial statements of the Group for the financial year ended 30 June 2023 and the statement of financial position of the Company as at 30 June 2023 and statement of changes in equity of the Company for the financial year then ended.

In the opinion of the directors:

- (a) the consolidated financial statements of the Group and the statement of financial position and the statement of changes in equity of the Company as set out on pages 64 to 123 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2023, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year covered by these financial statements; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are:

Ang Yu Seng

Ang Yew Chye

Siau Kai Bing

Tan Min-Li

Wong Loke Tan

Goi Kok Ming (Wei Guoming)

Arrangements to enable directors to acquire benefits by means of acquisition of shares and debentures

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

Directors' interests in shares or debentures

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act 1967 except as follows:

Name of directors and company in which interests are held	Shareholdings registered in the name of directors	
	At beginning of financial year	At end of financial year
The Company		
(No. of ordinary shares)		
Ang Yu Seng	13,724,840	13,724,840
Ang Yew Chye	4,081,043	4,211,943
Siau Kai Bing	12,000	12,000

By virtue of Section 7 of the Singapore Companies Act 1967, Mr Ang Yu Seng is deemed to have an interest in all subsidiary corporations of the Company.

There was no change in the above-mentioned directors' interests between the end of the financial year and 21 July 2023, except that ordinary shares registered in the name of Mr. Ang Yew Chye amounted to 4,220,043 as at 21 July 2023.

DIRECTORS' STATEMENT

Share options*(a) Options to take up unissued shares*

During the financial year, no options to take up unissued shares of the Company or any corporation in the Group were granted.

(b) Options exercised

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

(c) Unissued shares under option

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under options.

Audit Committee

The Audit Committee of the Company, consisting of all independent non-executive directors, is chaired by Mr Siau Kai Bing, and includes Ms Tan Min-Li and Mr Wong Loke Tan. The Audit Committee has met 2 times since the last Annual General Meeting ("AGM") and has reviewed the following, where relevant, with the executive directors, the independent auditor and internal auditors of the Company:

- (a) The audit plan and results of the internal auditors' examination and evaluation of the Group's systems of internal accounting controls;
- (b) The audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- (c) The Group's financial and operating results and accounting policies;
- (d) The statement of financial position and the statement of changes in equity of the Company and the consolidated financial statements of the Group before their submission to the directors of the Company and the independent auditor's report on those financial statements;
- (e) The half-yearly and annual announcements as well as the related press releases on the financial results and financial position of the Company and the Group;
- (f) The co-operation and assistance given by management to the Company's independent auditor and internal auditors; and
- (g) The re-appointment of the independent auditor of the Company.

The Audit Committee has full access to and co-operation of management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The independent auditor and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors that the independent auditor, CLA Global TS Public Accounting Corporation, be nominated for re-appointment at the forthcoming annual general meeting of the Company.

Independent auditor

The independent auditor, CLA Global TS Public Accounting Corporation, has expressed its willingness to accept re-appointment.

DIRECTORS' STATEMENT

On behalf of the directors

.....
Ang Yu Seng

Director

.....
Ang Yew Chye

Director

Singapore

27 September 2023

Independent Auditor's Report

to the Members of Union Steel Holdings Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Union Steel Holdings Limited (the “**Company**”) and its subsidiary corporations (the “**Group**”) which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 June 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 64 to 123.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act 1967 (the “**Act**”) and Singapore Financial Reporting Standards (International) (“**SFRS(I)s**”) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2023, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (“**SSAs**”). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics applicable to Public Accountants and Accounting Entities (“**ACRA Code**”) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current financial year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

See accounting policies on Note 2.14 and Note 2.5(b)
Refer to Note 3(a) and Note 21(a) to the financial statements.

Area of focus

The Group derives revenue from various business activities, including sale of goods, provision of services such as scaffolding, mechanical construction and fabrication, engineering and metal, and rental of materials and equipment. During the financial year ended 30 June 2023, the Group recognised total revenue of \$107,296,000.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties.

Revenue from sale of goods and provision of services is recognised when the Group satisfies a performance obligation by transferring promised goods or services to the customer, which is when the customer obtains control of the goods or service. A performance obligation may be satisfied over time or at a point in time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

The Group also recognises revenue from rental of materials and equipment under operating leases which is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which the use derived from the leased asset is diminished.

We focused on this area as a key audit matter as there is a presumed fraud risk with regards to revenue recognition and revenue is one of the key performance indicators of the Group. The potential existence of management to override controls and large volume of transactions also increase the inherent risk of material misstatement in the amount of revenue reported.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters (continued)

Revenue Recognition (continued)

How our audit addressed the area of focus

In obtaining sufficient audit evidence, the following procedures have been performed:

- Obtained an understanding and evaluated the effectiveness of management's process and key controls over the relevant assertions of revenue recognition;
- Evaluated management's assessment of the application of relevant accounting treatment for revenue recognition, particularly SFRS(I) 15 *Revenue from Contracts with Customers* and SFRS(I) 16 *Leases*;
- Reviewed terms and conditions of significant contracts to assess the appropriateness of the Group's revenue recognition accounting policies;
- Performed substantive audit procedures on a sampling basis, through verification of sales invoices and delivery orders or service performance forms, representing satisfaction of the identified performance obligation;
- Performed sales cut-off procedures at financial year end to ensure that revenue is recognised in the correct financial period;
- Reviewed credit notes, focusing on those raised after financial year end to ascertain if revenue has been adjusted accordingly; and
- Reviewed the journal entries related to revenue to detect any unusual transactions in relation to revenue or any indication of fraud.
- In relation to revenue recognised over time, on sampling basis focusing on significant projects, we:
 - Agreed the contract sum or any variation orders to the signed contracts and reviewed the terms and conditions; and
 - Assessed the accuracy of revenue recognised and the amounts of contract assets/liabilities through re-computation of the percentage of completion of selected projects and verification of progress billings.
- In relation to contract costs, on sampling basis, we:
 - Obtained the budgeted contract costs and assessed the reasonableness of the estimates used by management, including agreeing the estimates to supporting documents;
 - Assessed the reasonableness of budgeted costs and any foreseeable losses through analysis of total actual contract costs incurred and related profit margins for completed projects and verification of basis of budgeted costs to contracts with suppliers and other supporting documents;
 - Reviewed actual cost incurred including accrued costs through verification of costs incurred to relevant suppliers' invoices and progress claims vis-à-vis estimated contract costs; and
 - Discussed with management on any potential contract changes from customers affecting the expected completion dates, potential increases in budgeted cost amongst other factors and potential delay in meeting delivery date which might result in loss making contracts.
- Reviewed and considered the adequacy of disclosures made in the financial statements in respect of revenue, contract assets and contract liabilities.

Valuation of inventories

See accounting policies on Note 2.6

Refer to Note 3(b) and Note 8 to the financial statements.

Area of focus

As at 30 June 2023, the carrying value of inventories of the Group, consisting of mainly winches, hydraulic power units ("HPU"), cranes, metals and spare parts, amounts to \$25,422,000, net of write-down of \$2,597,000. These inventories represent approximately 16% and 31% of the Group's total assets and total current assets respectively.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters (continued)**Valuation of inventories** (continued)Area of focus (continued)

Cost of inventories is calculated using the weighted average method or specific identification method. The write-down of inventories is required when the net realisable values of specific inventory items fall below their costs. Net realisable value ("NRV") is defined as the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

We focused on this area as inventories represent a substantial portion of the Group's current assets. Accordingly, estimates relating to net realisable values and write-down of inventories may have significant impact on the Group's working capital and liquidity position. The estimation of NRV of inventories is based on current market conditions and historical experience which involves 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.

How our audit addressed the area of focus

In obtaining sufficient audit evidence, the following procedures have been performed:

- Reviewed the Group's inventory obsolescence policies and procedures, focusing on any changes to the policies and procedures during the financial year;
- Reviewed obsolete or slow-moving inventories identified by management through the physical inventories count observation and enquiries of relevant personnel;
- Assessed the reasonableness of the assumptions/basis used to determine the amount of write-down and the adequacy of the write-down of inventories made by management;
- Reviewed the Group's costing approach and the appropriateness of the costing methods used for the inventories;
- Assessed the net realisable value for selected inventories by comparing the carrying amounts to the sale prices of the product or comparable products after the financial year end. For items where there were no sales post year end, compared the carrying amount against the recent replacement costs and/or quoted selling prices as best available measure of the net realisable value; and
- Reviewed and considered the adequacy of disclosures made in the financial statements in respect of inventories.

Valuation of trade receivables

See accounting policies on Note 2.4(b)

Refer to Note 3(c), Note 4(b)(iii) and Note 7 to the financial statements.

Area of focus

As at 30 June 2023, the Group recorded net trade receivables of \$22,748,000 which represent approximately 14% and 27% of the Group's total assets and total current assets respectively. The Group has provided expected credit loss allowance on trade receivables of \$4,910,000 which represents approximately 18% of the Group's gross trade receivables.

The Group has applied the simplified approach in SFRS(I) 9 *Financial Instruments* to measure the loss allowance on trade receivables at lifetime expected credit loss. The Group determines the expected credit loss by using 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. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

The assessment of expected credit loss allowance on trade receivables is determined as a key audit matter because of the significant judgements applied, subjective assumptions used by management and the related estimation uncertainty involved in determining the adequacy of the loss allowance provided.

The significance of this is further elevated by the current overall economic outlook in the countries where the customers operate, which could increase the risk of default of the Group's customers.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters (continued)

Valuation of trade receivables (continued)

How our audit addressed the area of focus

In obtaining sufficient audit evidence, the following procedures have been performed:

- Obtained understanding of the management's processes and controls relating to the monitoring of trade receivables and evaluated and validated the key controls over sales and receivable cycles;
- Analysed the aging of trade receivables, tested the accuracy of aging reports and reviewed customers' historical payment patterns to assess the collectability of past due accounts and adequacy of loss allowances;
- Evaluated management's assumptions and inputs used in establishing the provision matrix through analysis of trade receivables aging, review of historical credit loss experiences and consideration of data and information used by management in determining the forward-looking adjustments based on current economic condition;
- Reviewed any breaches of credit limit and credit term, requested selected trade receivable confirmations, verified the subsequent receipts of cash by inspecting remittance advices or any other available audit evidence and inquired management on disputed receivables; and
- Reviewed and considered the adequacy of disclosures made in the financial statements in respect of the credit risk of trade receivables.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT*Auditor's Responsibilities for the Audit of the Financial Statements (continued)*

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current financial year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement director on the audit resulting in this independent auditor's report is Ms. Meriana Ang Mei Ling.

CLA Global TS Public Accounting Corporation**Public Accountants and Chartered Accountants****Singapore**

27 September 2023

Consolidated Statement of Financial Position

As at 30 June 2023

	Note	Group	
		2023 \$'000	2022 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	6	22,725	17,789
Trade and other receivables	7	34,700	21,045
Inventories	8	25,422	29,315
		<u>82,847</u>	<u>68,149</u>
Non-current assets			
Property, plant and equipment	9	49,127	48,251
Right-of-use assets	10	11,784	11,216
Investment property	11	4,923	5,290
Goodwill	12	7,699	7,360
Club membership		201	201
Other intangible assets	13	463	4
Deferred tax assets	18	65	65
		<u>74,262</u>	<u>72,387</u>
Total assets		<u>157,109</u>	<u>140,536</u>
LIABILITIES AND EQUITY			
Current liabilities			
Borrowings	15	18,223	21,757
Trade and other payables	16	29,972	18,070
Lease liabilities	17	2,523	1,890
Income tax payable		2,800	2,001
		<u>53,518</u>	<u>43,718</u>
Non-current liabilities			
Borrowings	15	8,681	12,270
Lease liabilities	17	11,087	11,219
Deferred tax liabilities	18	6,177	6,104
		<u>25,945</u>	<u>29,593</u>
Capital and reserves			
Share capital	19	36,603	36,603
Retained earnings		36,124	25,515
Capital reserve	20	5,237	5,237
Foreign currency translation reserve		(318)	(275)
Equity attributable to owners of the Company		<u>77,646</u>	<u>67,080</u>
Non-controlling interests		*	145
Total equity		<u>77,646</u>	<u>67,225</u>
Total liabilities and equity		<u>157,109</u>	<u>140,536</u>

* Less than \$1,000

The accompanying notes form an integral part of these financial statements.

Statement of Financial Position

As at 30 June 2023

	Note	Company	
		2023	2022
		\$'000	\$'000
ASSETS			
Current assets			
Cash and cash equivalents	6	687	679
Trade and other receivables	7	11,547	8,819
		<u>12,234</u>	<u>9,498</u>
Non-current assets			
Property, plant and equipment	9	87	51
Investments in subsidiary corporations	14	56,494	56,802
Club membership		201	201
		<u>56,782</u>	<u>57,054</u>
Total assets		<u>69,016</u>	<u>66,552</u>
LIABILITIES AND EQUITY			
Current liabilities			
Borrowings	15	2,240	2,240
Trade and other payables	16	28,318	25,980
		<u>30,558</u>	<u>28,220</u>
Non-current liabilities			
Borrowings	15	6,663	8,773
Deferred tax liabilities	18	39	39
		<u>6,702</u>	<u>8,812</u>
Capital and reserves			
Share capital	19	36,603	36,603
Accumulated losses		(4,847)	(7,083)
Total equity		<u>31,756</u>	<u>29,520</u>
Total liabilities and equity		<u>69,016</u>	<u>66,552</u>

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the financial year ended 30 June 2023

	Note	2023 \$'000	2022 \$'000
Revenue	21	107,296	80,135
Cost of sales		(79,914)	(61,510)
Gross profit		27,382	18,625
Other income			
- Interest		78	22
- Others	22	7,252	5,472
Distribution costs		(209)	(198)
Administrative expenses		(15,339)	(10,877)
Other operating expenses			
- Loss allowance on financial assets at amortised cost	7	(815)	(260)
- Others	23	(3,853)	(2,936)
Finance costs	24	(1,793)	(898)
Profit before income tax		12,703	8,950
Income tax expense	25	(1,561)	(1,615)
Net profit for the financial year	26	11,142	7,335
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
- Exchange differences on translation of foreign operations		(43)	63
Total comprehensive income for the financial year		11,099	7,398
Net profit for the financial year attributable to:			
- Owners of the Company		11,003	7,074
- Non-controlling interests		139	261
		11,142	7,335
Total comprehensive income for the financial year attributable to:			
- Owners of the Company		10,960	7,137
- Non-controlling interests		139	261
		11,099	7,398
Earnings per share			
- Basic and diluted	27	28 cents	18 cents

The accompanying notes form an integral part of these financial statements.

Statements of Changes in Equity

For the financial year ended 30 June 2023

	Share Capital	Retained earnings#	Capital reserve	Foreign currency translation reserve	Equity attributable to owners of the Company	Non- controlling interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Group							
Balance as at 1 July 2022	36,603	25,515	5,237	(275)	67,080	145	67,225
Net profit for the financial year	-	11,003	-	-	11,003	139	11,142
Other comprehensive income for the financial year	-	-	-	(43)	(43)	-	(43)
Disposal of a subsidiary corporation (Note 30(a))	-	-	-	-	-	(284)	(284)
Dividends (Note 32)	-	(394)	-	-	(394)	-	(394)
Balance as at 30 June 2023	36,603	36,124	5,237	(318)	77,646	*	77,646
Balance as at 1 July 2021	36,603	20,016	5,237	(338)	61,518	(116)	61,402
Net profit for the financial year	-	7,074	-	-	7,074	261	7,335
Other comprehensive income for the financial year	-	-	-	63	63	-	63
Dividends (Note 32)	-	(1,575)	-	-	(1,575)	-	(1,575)
Balance as of 30 June 2022	36,603	25,515	5,237	(275)	67,080	145	67,225

Retained earnings of the Group are fully distributable.

* Less than 1,000

	Share capital	Accumulated losses	Total equity
	\$'000	\$'000	\$'000
Company			
Balance as at 1 July 2022	36,603	(7,083)	29,520
Net profit, representing total comprehensive income for the financial year	-	2,630	2,630
Dividends (Note 32)	-	(394)	(394)
Balance as at 30 June 2023	36,603	(4,847)	31,756
Balance as at 1 July 2021	36,603	(9,210)	27,393
Net profit, representing total comprehensive income for the financial year	-	3,702	3,702
Dividends (Note 32)	-	(1,575)	(1,575)
Balance as at 30 June 2022	36,603	(7,083)	29,520

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the financial year ended 30 June 2023

	Note	2023 \$'000	2022 \$'000
Operating activities			
Profit before income tax		12,703	8,950
Adjustments for:			
- Depreciation of property, plant and equipment	26	4,588	3,238
- Depreciation of right-of-use assets	23	1,961	1,863
- Gain on disposal of property, plant and equipment	22	(92)	(354)
- Fair value loss on investment property	23	367	577
- Loss allowance on financial assets at amortised cost	7	815	260
- Write-down of inventories	8	5	1
- Write back of previously written down of inventories	8	(17)	-
- Amortisation of other intangible assets	23	158	4
- Gain on disposal of a subsidiary corporation	22	(1,434)	-
- Interest expense	24	1,793	898
- Interest income		(78)	(22)
Operating cash flows before movements in working capital		20,769	15,415
Changes in working capital, net of effects from acquisition of subsidiary corporations			
- Trade and other receivables		(10,874)	205
- Inventories		1,610	(3,611)
- Trade and other payables		4,842	552
Cash generated from operations		16,347	12,561
- Income tax paid		(1,303)	(1,271)
- Interest received		78	22
Net cash generated from operating activities		15,122	11,312
Investing activities			
- Acquisition of subsidiary corporations, net of cash acquired	31(b)	2,320	(15,861)
- Purchase of property, plant and equipment	9	(6,202)	(5,283)
- Proceeds from disposal of property, plant and equipment		1,096	509
- Proceed from disposal of a subsidiary corporation	30(c)	1,524	-
Net cash used in investing activities		(1,262)	(20,635)
Financing activities			
- Dividends paid to owners of the Company	32	(394)	(1,575)
- (Decrease)/Increase in bills payable		(86)	1,684
- Proceeds from bank loans		3,000	15,700
- Repayment of bank loans		(8,625)	(3,504)
- Repayment of lease liabilities		(2,779)	(2,594)
Net cash (used in)/generated from financing activities		(8,884)	9,711
Net increase in cash and cash equivalents		4,976	388
Cash and cash equivalents			
Beginning of financial year		17,789	17,338
Effect of currency translation on cash and cash equivalents		(40)	63
End of financial year	6	22,725	17,789

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the financial year ended 30 June 2023

Reconciliation of liabilities arising from financing activities

	1 July 2022	Proceeds from borrowing	Principal and interest payments	Non-cash changes			Interest expense	30 June 2023
				Arising from acquisition of subsidiary corporations	Addition – new leases	Disposal of a subsidiary corporation		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Bank loans	31,210	3,000	(8,625)	-	-	(1,700)	1,041	24,926
Bills payable	2,817	5,856	(5,942)	-	-	(810)	57	1,978
Lease liabilities	13,109	-	(2,779)	258	2,374	(47)	695	13,610
	47,136	8,856	(17,346)	258	2,374	(2,557)	1,793	40,514

	1 July 2021	Proceeds from borrowing	Principal and interest payments	Non-cash changes			Interest expense	30 June 2022
				Arising from acquisition of subsidiary corporations	Addition – new leases			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Bank loans	17,862	15,700	(3,504)	869	-	283	31,210	
Bills payable	1,076	3,549	(1,865)	-	-	57	2,817	
Lease liabilities	11,454	-	(2,594)	3,409	282	558	13,109	
	30,392	19,249	(7,963)	4,278	282	898	47,136	

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

For the financial year ended 30 June 2023

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1 General 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.

The principal activity of the Company is that of investment holding. The principal activities of its subsidiary corporations are disclosed in Note 14 to the financial statements.

The consolidated financial statements of the Group for the financial year ended 30 June 2023, and the statement of financial position as at 30 June 2023 and statement of changes in equity of the Company for the financial year then ended were authorised for issue by the Board of Directors on 27 September 2023.

2 Significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act 1967 and Singapore Financial Reporting Standards (International) (“SFRS(I)s”).

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of SFRS(I) 2 *Share-based Payment*, leasing transactions that are within the scope of SFRS(I) 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in SFRS(I) 1-2 *Inventories* or value in use in SFRS(I) 1-36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The preparation of financial statements in conformity with SFRS(I)s requires management to exercise its judgement in the process of applying the Group’s accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS*For the financial year ended 30 June 2023***2 Significant accounting policies** (continued)**2.1 Basis of preparation** (continued)***Adoption of new and revised Standards***

On 1 July 2022, the Group and the Company adopted all the new and revised SFRS(I) pronouncements that are mandatorily effective and are relevant to its operations. The adoption of these new/revised SFRS(I) pronouncements does not result in changes to the Group's and the Company's accounting policies and has no material effect on the disclosures or on the amounts reported for the current or prior years.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiary corporations. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary corporation begins when the Company obtains control over the subsidiary corporation and ceases when the Company loses control of the subsidiary corporation. Specifically, income and expenses of a subsidiary corporation acquired or disposed of during the financial year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary corporation.

When necessary, adjustments are made to the financial statements of subsidiary corporations to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Non-controlling interests in subsidiary corporations are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

2 Significant accounting policies (continued)

2.2 Basis of consolidation (continued)

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiary corporations is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiary corporations that do not result in the Group losing control over the subsidiary corporations are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary corporations. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary corporation, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary corporation and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary corporation are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary corporation (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable SFRS(I)s). The fair value of any investment retained in the former subsidiary corporation at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9 *Financial Instruments*. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

In the Company's separate financial statements, investments in subsidiary corporations are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.3 Business combinations

Acquisitions of subsidiary corporations and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with SFRS(I) 1-12 *Income Taxes* and SFRS(I) 1-19 *Employee Benefits* respectively;
- Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in SFRS(I) 2 *Share-based Payment* at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS*For the financial year ended 30 June 2023***2 Significant accounting policies** (continued)**2.3 Business combinations** (continued)

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held interests (including joint operations) in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another SFRS(I)s.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

2.4 Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are recognised on the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

2 Significant accounting policies (continued)

2.4 Financial instruments (continued)

Financial assets (continued)

(a) Classification of financial assets

These mainly comprise cash and bank balances and trade and other receivables that meet the following conditions and are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost, except for short-term balances when the effect of discounting is immaterial.

(b) Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on trade and other receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the receivables, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 30 June 2023***2 Significant accounting policies** (continued)**2.4 Financial instruments** (continued)**Financial assets** (continued)*(b) Impairment of financial assets* (continued)Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables. Forward-looking information considered includes the future prospects of the industries in which the Group's receivables operate as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

The Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) the financial instrument has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

2 Significant accounting policies (continued)

2.4 Financial instruments (continued)

Financial assets (continued)

(b) Impairment of financial assets (continued)

Measurement and recognition of expected credit losses (continued)

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12 months ECL at the current reporting date.

(c) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

(a) Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

(b) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

(c) Financial liabilities

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method, except for short-term balances when the recognition of interest would be immaterial.

Borrowings (interest-bearing bank loans and bills payable) are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the reporting date, in which case they are presented as non-current liabilities.

Borrowings are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 30 June 2023***2 Significant accounting policies** (continued)**2.4 Financial instruments** (continued)**Financial liabilities and equity instruments** (continued)*(d) Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

2.5 Leases*(a) The Group as lessee*

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate specific to the lessee.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

2 Significant accounting policies (continued)

2.5 Leases (continued)

(a) *The Group as lessee* (continued)

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. The subsequent measurement of right-of-use asset will depend on whether it is classified as investment property, property, plant and equipment or right-of-use assets and presented as a separate line in the statements of financial position.

The right-of-use assets which meet the definition as investment property in accounted for in a manner consistent with the accounting policy for the Group's owned investment property as set out in Note 2.8 to the financial statements.

The right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. They are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The Group applies SFRS(I) 1-36 *Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as in Note 2.12 to the financial statements.

(b) *The Group as lessor*

Leases where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income. Contingent rents are recognised as income in profit or loss when earned.

2.6 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and other costs that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method or specific identification method. Net realisable value represents the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 30 June 2023***2 Significant accounting policies** (continued)**2.7 Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to write off the cost less residual values, over their estimated useful lives, using the straight-line method, on the following bases:

Land and buildings	Over the lease term
Air-conditioners, electrical installations and computers	5 years
Containers, renovations and warehouses	5 years
Furniture, fittings and office equipment	5 years
Plant, machinery and material handling equipment	5 to 10 years
Motor vehicles, trucks and cranes	5 years
Rental materials	10 years

There are no future lease payments required in respect of leasehold land and buildings presented under property, plant and equipment.

The estimated useful lives, residual values and depreciation method are reviewed at each financial year end, with the effect of any changes in estimate recognised in profit or loss on a prospective basis.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2.8 Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change of use.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

2 Significant accounting policies (continued)

2.9 Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually and whenever there is indication that the goodwill may be impaired. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary corporation or the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of profit or loss on disposal.

2.10 Other intangible assets

Intangible assets 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. Other intangible assets are amortised on a straight-line basis over its estimated economic useful lives, on the following bases:

Customer relationship	2 years
E-commerce development cost	5 years

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

2.11 Club membership

Club membership with indefinite useful lives is carried at cost less any accumulated impairment losses. Club membership is subject to an annual impairment review and no amortisation required.

2.12 Impairment of non-financial assets excluding goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

NOTES TO THE FINANCIAL STATEMENTS*For the financial year ended 30 June 2023***2 Significant accounting policies** (continued)**2.12 Impairment of non-financial assets excluding goodwill** (continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years.

2.13 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.14 Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group has generally concluded that it is the principal in its revenue arrangements and records revenue on a gross basis because it typically controls the goods or services before transferring them to the customer. At contract inception, the Group assesses whether the Group transfers control over time or at a point in time by determining if (i) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performed; (ii) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (iii) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

- (a) Revenue from sale of goods is recognised at the point in time when control of the goods is transferred to the customers, typically on delivery to the destination specified by the customers as specified in the contracts with the customers.
- (b) Revenue from scaffolding services are recognised over time, at the contractual rates on a monthly basis, as the service are rendered and direct expenses are incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

2 Significant accounting policies (continued)

2.14 Revenue recognition (continued)

- (c) Revenue from mechanical construction and fabrication service for specialised valves, heat exchanges and chemical chambers to customers through fixed-price contracts are recognised overtime as the specialised valves, heat exchanges and chemical chambers have no alternative use for the Group due to contractual restriction, and the Group has enforceable rights to payment arising from the contractual terms. For these contracts, revenue is recognised over time by reference to the Group's progress towards completing the construction of the promised goods. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs. Costs incurred that are not related to the contract or that do not contribute towards satisfying a performance obligation are excluded from the measure of progress and instead are expensed as incurred.

The period between the transfer of the promised goods and payment by the customer may exceed one year. For such contracts, there is no significant financing component present as the payment terms follow the industry practice to protect the performing entity from the customers' failure to adequately complete some or all of its obligations under the contract. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by the Group.

The customer is invoiced progressively on a milestone payment schedule. If the value of the goods transferred by the Group exceeds the progress billings, a "Contract asset" is recognised. If the progress billings exceed the value of the goods transferred, a "Contract liability" is recognised.

For costs incurred in fulfilling the contract which are within the scope of another SFRS(I) (eg. Inventories), these have been accounted for in accordance with those other SFRS(I). If these are not within the scope of another SFRS(I), the Group will capitalise these as contract costs as assets only if (a) these cost relate directly to a contract or an anticipated contract which the Group can specifically identify; (b) these costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (c) these costs are expected to be recovered. Otherwise, such costs are recognised as an expense immediately.

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue over time. An impairment loss is recognised in profit or loss to the extent that the carrying amount of capitalised contract costs exceeds the expected remaining consideration less any directly related costs not yet recognised as expenses.

- (d) Revenue from engineering and metal services such as repair, commissioning and waste collection services are recognised at a point in time when the services have been performed and rendered.

The Group's policy for recognition of income from operating leases is described in Note 2.5(b) to the financial statements.

2.15 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants relating to income are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

NOTES TO THE FINANCIAL STATEMENTS*For the financial year ended 30 June 2023***2 Significant accounting policies** (continued)**2.16 Borrowing costs**

All borrowing costs are recognised in profit or loss using the effective interest method in the period in which they are incurred.

2.17 Income tax

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a tax authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiary corporations, associated company and a joint venture, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

The Group accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

2.18 Currency translation**(a) Functional and presentation currency**

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements of the Group are presented in Singapore Dollar ("S\$"), which is the functional currency of the Company and have been rounded to the nearest thousand ("S\$'000").

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

2 Significant accounting policies (continued)

2.18 Currency translation (continued)

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in profit or loss. Monetary items include primarily financial assets (other than equity investments), contract assets and financial liabilities. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

All other foreign exchange gains and losses impacting profit or loss are presented in the consolidated statement of comprehensive income within "Other operating expenses".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(c) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities are translated at the closing exchange rates at the reporting date;
- (ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) All resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

2.19 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

NOTES TO THE FINANCIAL STATEMENTS*For the financial year ended 30 June 2023***2 Significant accounting policies** (continued)**2.19 Employee compensation** (continued)*(b) Profit sharing and bonus plans*

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the Group's profit before income tax after certain adjustments. The Group recognises an accrual when contractually obliged to pay or when there is a past practice that has created a constructive obligation to pay.

(c) Short term leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for unutilised annual leave as a result of services rendered by employees up to the reporting date.

2.20 Financial guarantees

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiary corporations. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiary corporations fail to make principal or interest payments when due in accordance with the terms of their borrowings. Intra-Group transactions are eliminated on consolidation.

Financial guarantee contracts are initially measured at fair value plus transaction costs and subsequently measured at the higher of:

- (a) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and
- (b) the amount of expected loss allowance computed using the impairment methodology under Note 2.4 to the financial statements.

2.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the board of directors whose members are responsible for allocating resources and assessing performance of the operating segments.

2.22 Cash and cash equivalents in the statement of cash flows

Cash and cash equivalents in the statement of cash flows comprise cash on hand, fixed deposit and bank balances that are subject to an insignificant risk of changes in value.

2.23 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.24 Dividends

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 2 to the financial statements, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that may 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:

(a) *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.

The amounts of revenue recognised from mechanical construction and fabrication service are disclosed in Note 21(a) to the financial statements.

If the contract costs of uncompleted mechanical construction and fabrication service to be incurred increase/decrease by 10% (2022: 10%) from management's estimates, the Group's revenue and net profit would have been decreased/increased by \$421,000/\$455,000 and \$421,000/\$378,000 (2022: \$125,000/\$193,000 and \$125,000/\$160,000) respectively.

(b) *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 judgements 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 inventories. The carrying amount of inventories and the movement in the write-down of inventories are disclosed in Note 8 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 30 June 2023***3 Critical accounting judgements and key sources of estimation uncertainty (continued)***(c) Calculation of loss allowances 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 economic conditions. The carrying amount of trade receivables and details of the loss allowances on trade receivables are disclosed in Note 7 to the financial statements.

(d) 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 losses are recognised on goodwill for the financial years ended 30 June 2023 and 2022. The carrying amount of goodwill and key assumptions used in the impairment test are disclosed in Note 12 to the financial statements.

(e) 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. As at the end of financial year, the Group has assessed that there are no indications of impairment noted for property, plant and equipment, right-of-use assets and other intangible assets. The carrying amounts of property, plant and equipment, right-of-use assets and other intangible assets are disclosed in Note 9, Note 10 and Note 13 respectively to the financial statements.

(f) 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. The carrying amount of investment property at the end of the financial year and information about the valuation techniques and inputs used in determining the fair value of investment property are disclosed in Note 11 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

3 Critical accounting judgements and key sources of estimation uncertainty (continued)*(g) Impairment of investments in subsidiary corporations*

In determining whether investments in subsidiary corporations are impaired, the Company evaluates the market and economic environment in which each subsidiary corporation operates and its economic performance to determine if indicators of impairment exist. Where such indicators exist, the subsidiary corporation's recoverable amount 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 an impairment loss of \$308,000 is required for the financial year ended 30 June 2023 (30 June 2022: \$Nil). The carrying amount of investments in subsidiary corporations is disclosed in Note 14 to the financial statements.

4 Financial instruments, financial risks and capital management*(a) Categories of financial instruments*

The following table sets out the financial instruments as at the reporting date:

	Group		Company	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Cash and cash equivalents	22,725	17,789	687	679
Trade and other receivables	34,700	21,045	11,547	8,819
Less: contract assets, advance billing from suppliers and prepayments	(10,349)	(7,131)	(28)	(24)
Financial assets at amortised cost	47,076	31,703	12,206	9,474
Financial liabilities				
Borrowings	26,904	34,027	8,903	11,013
Trade and other payables	29,972	18,070	28,318	25,980
Lease liabilities	13,610	13,109	-	-
Less: rental billed in advance and contract liabilities	(3,466)	(4,902)	-	-
Financial liabilities at amortised cost	67,020	60,304	37,221	36,993

*(b) Financial risk management policies and objectives**(i) Foreign exchange risk management*

The Group's foreign currency exposures arise mainly from the exchange rate movements of the United States Dollar ("USD"), Malaysia Ringgit ("MYR"), Australia Dollar ("AUD"), Sterling Pound ("GBP"), Euro and Chinese Yuan ("CNY") against the Singapore Dollar ("SGD").

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

4 Financial instruments, financial risks and capital management (continued)*(b) Financial risk management policies and objectives* (continued)*(i) Foreign exchange risk management* (continued)

At the reporting date, significant carrying amounts of monetary assets and liabilities denominated in currencies other than the Group entities' functional currencies are as follows:

	Assets		Liabilities	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Group				
USD	6,960	1,730	161	1,449
MYR	1,458	1,550	28	-
AUD	61	58	-	-
GBP	722	1	-	-
Euro	*	10	53	1,127
CNY	61	-	-	-

* Less than \$1,000

Foreign currency sensitivity

The sensitivity rate used when reporting foreign currency risk exposures internally to key management personnel is 10%, which represents management's assessment of the possible change in foreign exchange rates.

If the USD were to strengthen/weaken by 10% against the SGD, the Group's profit before income tax will increase/decrease by \$680,000 (2022: increase/decrease by \$28,000).

If the MYR were to strengthen/weaken by 10% against the SGD, the Group's profit before income tax will increase/decrease by \$143,000 (2022: increase/decrease by \$155,000).

If the AUD were to strengthen/weaken by 10% against the SGD, the Group's profit before income tax will increase/decrease by \$6,100 (2022: increase/decrease by \$5,800).

If the GBP were to strengthen/weaken by 10% against the SGD, the Group's profit before income tax will increase/decrease by \$72,200 (2022: increase/decrease by \$100).

If the Euro were to strengthen/weaken by 10% against the SGD, the Group's profit before income tax will decrease/increase by \$5,300 (2022: decrease/increase by \$112,000).

If the CNY were to strengthen/weaken by 10% against the SGD, the Group's profit before income tax will increase/decrease by \$6,100 (2022: increase/decrease by \$Nil).

The Company does not have any significant foreign currency denominated financial instruments as majority of its transactions are denominated in Singapore Dollar.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

4 Financial instruments, financial risks and capital management (continued)*(b) Financial risk management policies and objectives* (continued)

(ii) Interest rate risk management

The Group is exposed to interest rate risk mainly through its variable rate borrowings as disclosed in Note 15 to the financial statements.

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for financial instruments at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 30 basis point increase is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

If interest rates had been 30 basis points (2022: 30 basis points) higher/lower during the financial year and all other variables were held constant, the Group's profit before income tax would decrease/increase by \$81,000 (2022: increase/decrease by \$102,000).

If interest rates had been 30 basis points (2022: 30 basis points) higher/lower during the financial year and all other variables were held constant, the Company's profit before income tax would decrease/increase by \$27,000 (2022: increase/decrease by \$33,000).

(iii) Credit risk management

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses (ECL)
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
Doubtful	Amount is > 30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL - not credit-impaired
In default	Amount is > 90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the receivable is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

4 Financial instruments, financial risks and capital management (continued)*(b) Financial risk management policies and objectives* (continued)

(iii) Credit risk management (continued)

The tables below detail the credit quality of the Group's financial assets and other items, as well as maximum exposure to credit risk by credit risk rating grades:

	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
				\$'000	\$'000	\$'000
Group						
2023						
Trade receivables	7	(i)	Lifetime ECL	27,658	(4,910)	22,748
Non-trade receivables	7	Performing	12-month ECL	1,012	-	1,012
2022						
Trade receivables	7	(i)	Lifetime ECL	16,220	(3,960)	12,260
Non-trade receivables	7	Performing	12-month ECL	1,341	-	1,341
Company						
2023						
Non-trade receivables	7	(ii)	12-month ECL	15,690	(4,229)	11,461
2022						
Non-trade receivables	7	(ii)	12-month ECL	13,024	(4,229)	8,795

(i) For trade receivables, the Group has applied the simplified approach in SFRS(I) 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the receivables, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Note 7 to the financial statements includes further details on the loss allowance for trade receivables.

(ii) For non-trade receivables, the Group and the Company have applied a 12-month ECL to measure the loss allowance.

The Group develops and maintains its credit risk gradings to categorise exposures according to their degree of risk of default. The Group uses its own trading records to rate its major customers and other receivables.

Trade receivables consist of a large number of customers, spread across diverse industries. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statement of financial position.

Further details of credit risks on trade and other receivables are disclosed in Note 7 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

4 Financial instruments, financial risks and capital management (continued)*(b) Financial risk management policies and objectives* (continued)

(iv) Liquidity risk management

The Group monitors its liquidity risk and maintains a level of bank balances deemed adequate by management to finance its operations and to mitigate the effects of fluctuations in cash flows. Liquidity risk is further managed by matching the payment and receipt cycle.

*Liquidity and interest risk analyses*Non-derivative financial liabilities

The following table details the expected maturity for non-derivative liabilities. The tables below have been drawn up based on the undiscounted contractual maturities of the financial liabilities including interest that will be earned on these liabilities except where the Group anticipates that the cash flow will occur in a different period. Balances due less than 1 year equal their carrying amounts as the impact of discounting is not significant.

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years
	%	\$'000	\$'000	\$'000
<u>Group</u>				
2023				
Non-interest bearing	-	26,506	-	-
Fixed interest rate instruments	5.0	2,523	6,914	7,718
Variable interest rate instruments	3.8	18,223	9,011	-
Total		47,252	15,925	7,718
2022				
Non-interest bearing	-	13,168	-	-
Fixed interest rate instruments	5.0	1,890	6,830	8,244
Variable interest rate instruments	1.3	21,757	12,882	-
Total		36,815	19,712	8,244
<u>Company</u>				
2023				
Non-interest bearing	-	28,318	-	-
Variable interest rate instruments	2.9	2,240	6,856	-
Total		30,558	6,856	-
2022				
Non-interest bearing	-	25,980	-	-
Variable interest rate instruments	2.8	2,240	9,256	-
Total		28,220	9,256	-

NOTES TO THE FINANCIAL STATEMENTS*For the financial year ended 30 June 2023***4 Financial instruments, financial risks and capital management (continued)***(b) Financial risk management policies and objectives (continued)**(iv) Liquidity risk management (continued)*

The Company issued guarantees to banks for loans obtained by its subsidiary corporations to the extent of \$16,024,000 (2022: \$20,197,000). The earliest period that the guarantee could be called is within 1 year from the end of the financial year. Management considers that it is unlikely that any amount will be payable under these financial guarantee arrangements.

Non-derivative financial assets

All financial assets of the Group and the Company are due within one year from the end of the reporting period and are non-interest bearing except for fixed deposit which bears interest at interest rates that ranged from 1.90% to 4.05% (2022: average interest rate of 1.95%) per annum.

(v) Fair values of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments. Management is of the view that the carrying amount of loans approximates the fair value, as the interest rates approximate the prevailing market rates.

The Group and the Company have no financial assets or financial liabilities that are measured at fair value on a recurring basis.

(c) Capital management policies and objectives

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year, the management will maintain a healthy gearing ratios and net current asset position to support its business and maximise stakeholders value.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued capital, reserves and retained earnings.

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 30 June 2023 and 2022.

5 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.

Sale and purchase of goods and services

There are no sales and purchases of goods and services with related parties for the financial years ended 30 June 2023 and 2022 respectively.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

5 Related party transactions (continued)**Compensation of directors and key management personnel**

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

	Group	
	2023 \$'000	2022 \$'000
Short-term benefits	3,358	2,164
Defined contribution plans	78	31
	<u>3,436</u>	<u>2,195</u>

6 Cash and cash equivalents

	Group		Company	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Cash on hand	28	25	*	1
Cash at bank	16,207	16,289	687	678
Fixed deposit	6,490	1,475	-	-
	<u>22,725</u>	<u>17,789</u>	<u>687</u>	<u>679</u>

The fixed deposit bears interest at interest rates that ranged from 1.90% to 4.05% (2022: average interest rate of 1.95%) per annum, with tenure of 6 months or less.

* Less than \$1,000

7 Trade and other receivables

	Group		Company	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Trade receivables - Non-related parties	27,658	16,220	-	-
Less: Loss allowance	(4,910)	(3,960)	-	-
	<u>22,748</u>	<u>12,260</u>	<u>-</u>	<u>-</u>
Non-trade receivables:				
- Non-related parties	1,012	1,341	-	-
- Subsidiary corporations	-	-	15,690	13,024
Less: Loss allowance	-	-	(4,229)	(4,229)
	<u>1,012</u>	<u>1,341</u>	<u>11,461</u>	<u>8,795</u>
Contract assets (Note 21(b))	4,706	1,821	-	-
Advance billing from suppliers	4,814	4,906	-	-
Deposit	591	313	58	-
Prepayments	829	404	28	24
	<u>10,940</u>	<u>7,444</u>	<u>86</u>	<u>24</u>
	<u>34,700</u>	<u>21,045</u>	<u>11,547</u>	<u>8,819</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

7 Trade and other receivables (continued)

The average credit period on sale of goods is 30 days (2022: 30 days). No interest is charged on the outstanding balance.

Loss allowance on trade receivables has always been measured at an amount equal to lifetime ECL. The ECL on trade receivables is estimated using a provision matrix by reference to past default experience of the receivable and an analysis of the debtor's current financial position and performance, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate.

Non-trade receivables from subsidiary corporations are unsecured, interest-free and are repayable on demand.

The following table details the risk profile of trade receivables:

	Group	
	2023	2022
	\$'000	\$'000
Not past due	9,059	5,694
Past due for 1 to 90 days	13,195	4,858
Past due for 91 to 180 days	1,556	1,734
Past due for > 180 days	3,848	3,934
	27,658	16,220
Loss allowance	(4,910)	(3,960)
	22,748	12,260

Specific expected credit loss rates have been applied to each aging category in order to derive the allowance for credit losses.

The movement in the Group's allowance for credit losses is as follows:

	Group	
	2023	2022
	\$'000	\$'000
Beginning of financial year	3,960	2,706
Arising from acquisition of subsidiary corporations	168	1,312
Disposal of a subsidiary corporation	(33)	-
Movement in loss allowance:		
- Additional loss allowance	815	260
Amounts written-off against allowance	-	(318)
End of financial year	4,910	3,960

Based on the Group's historical credit loss experience with the relevant counterparties, as well as relevant forward-looking estimates, the Group has assessed the expected credit losses on non-trade receivables to be insignificant.

Non-trade receivables from subsidiary corporations

For the purpose of impairment assessment, non-trade receivables from subsidiary corporations that are not impaired are considered to have low credit risk as the timing of payment is controlled by the Company taking into account cash flow management within the Group and there has been no significant increase in the risk of default on these receivables since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month expected credit loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

7 Trade and other receivables (continued)

In determining the expected credit loss, the Company has taken into account the financial position of the respective subsidiary corporations, adjusted for factors specific to the subsidiary corporations and general economic conditions of the industry in which the subsidiary corporations operate. Management is of the view that no further expected credit loss is required, accordingly there is no movement in the loss allowance on non-trade receivables from subsidiary corporations.

The movement in the Company's allowance for credit losses is as follows:

	Company	
	2023	2022
	\$'000	\$'000
Beginning of financial year	4,229	4,253
Amount recovered during the financial year	-	(24)
End of financial year	4,229	4,229

8 Inventories

	Group	
	2023	2022
	\$'000	\$'000
Trading inventories	28,019	31,214
Less: Write-down	(2,597)	(1,899)
	25,422	29,315

The movement in the Group's write-down of inventories is as follows:

	Group	
	2023	2022
	\$'000	\$'000
Beginning of financial year	1,899	1,898
Arising from acquisition of subsidiary corporation	804	-
Amounts recognised in profit or loss (Note 23)	5	1
Amounts written back	(17)	-
Amounts written-off	(94)	-
End of financial year	2,597	1,899

The cost of inventories recognised as expense and included in cost of sales amounted to \$55,744,000 (2022: \$50,976,000).

During the financial year ended 30 June 2023, the Group transferred property, plant and equipment with aggregate carrying amounts of \$1,631,000 (2022: \$3,739,000) to inventories of materials and equipment (Note 9) for the purpose of sale in the ordinary course of business.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

9 Property, plant and equipment

	Land and buildings	Air- conditioners, electrical installations and computers	Containers, renovations and warehouses	Furniture, fittings and office equipment	Plant, machinery and material handling equipment	Motor vehicles, trucks and cranes	Rental materials	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Group								
2023								
Cost								
Beginning of financial year	35,143	1,050	3,575	1,060	27,263	4,954	26,457	99,502
Arising from acquisition of a subsidiary corporations (Note 31(c))	2,068	17	-	14	72	32	-	2,203
Additions	-	113	371	80	798	330	4,566	6,258
Disposal/Written off	(80)	(361)	(96)	(295)	(2,480)	(955)	(413)	(4,680)
Disposal of a subsidiary corporation (Note 30(a))	-	(129)	(172)	(24)	(291)	(202)	-	(818)
Transferred to inventories (Note 8)	-	-	-	-	(1,075)	-	(1,030)	(2,105)
Translation differences	-	(2)	(4)	(7)	4	-	-	(9)
End of financial year	37,131	688	3,674	828	24,291	4,159	29,580	100,351
Accumulated depreciation								
Beginning of financial year	13,965	1,002	3,000	735	22,253	3,524	6,772	51,251
Depreciation charge (Note 26)	2,142	73	190	58	1,209	375	541	4,588
Disposal/Written off	(39)	(363)	(95)	(291)	(2,230)	(595)	(63)	(3,676)
Disposal of a subsidiary corporation (Note 30(a))	-	(91)	(57)	(23)	(197)	(90)	-	(458)
Transferred to inventories (Note 8)	-	-	-	-	(321)	-	(153)	(474)
Translation differences	-	(1)	(4)	(1)	(1)	-	-	(7)
End of financial year	16,068	620	3,034	478	20,713	3,214	7,097	51,224
Net book value								
End of financial year	21,063	68	640	350	3,578	945	22,483	49,127

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

9 Property, plant and equipment (continued)

	Land and buildings	Air- conditioners, electrical installations and computers	Containers, renovations and warehouses	Furniture, fittings and office equipment	Plant, machinery and material handling equipment	Motor vehicles, trucks and cranes	Rental materials	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Group								
2022								
Cost								
Beginning of financial year	18,745	1,032	3,409	1,016	27,805	4,818	26,267	83,092
Arising from acquisition of a subsidiary corporations (Note 31(c))	16,398	11	-	29	724	72	-	17,234
Additions	-	39	230	21	905	440	3,648	5,283
Disposal/Written off	-	(32)	(64)	(6)	(155)	(376)	(1,229)	(1,862)
Transferred to inventories (Note 8)	-	-	-	-	(2,016)	-	(2,229)	(4,245)
End of financial year	35,143	1,050	3,575	1,060	27,263	4,954	26,457	99,502
Accumulated depreciation								
Beginning of financial year	13,057	996	2,844	706	21,981	3,450	7,192	50,226
Depreciation charge (Note 26)	908	38	211	35	1,011	436	599	3,238
Disposal/Written off	-	(32)	(55)	(6)	(586)	(362)	(666)	(1,707)
Transferred to inventories (Note 8)	-	-	-	-	(153)	-	(353)	(506)
End of financial year	13,965	1,002	3,000	735	22,253	3,524	6,772	51,251
Net book value								
End of financial year	21,178	48	575	325	5,010	1,430	19,685	48,251

NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 30 June 2023***9 Property, plant and equipment (continued)**

	Air-conditioners, electrical installations and computers \$'000	Furniture fittings and office equipment \$'000	Motor vehicles \$'000	Total \$'000
Company				
2023				
Cost				
Beginning of financial year	294	5	150	449
Additions	-	40	-	40
End of financial year	294	45	150	489
Accumulated depreciation				
Beginning of financial year	293	5	100	398
Depreciation charge	1	3	-	4
End of financial year	294	8	100	402
Net book value				
End of financial year	-	37	50	87
2022				
Cost				
Beginning and end of financial year	294	5	150	449
Accumulated depreciation				
Beginning of financial year	291	5	98	394
Depreciation charge	2	-	2	4
End of financial year	293	5	100	398
Net book value				
End of financial year	1	-	50	51

Additions during the financial year included motor vehicles acquired under lease liabilities – hire purchase of \$56,000 (2022: \$Nil).

Property, plant and equipment written off mainly relates to rental materials that are misplaced or damaged in the ordinary course of business.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

9 Property, plant and equipment (continued)

Particulars of the leasehold properties held by the Group as at 30 June 2023 and 2022 are as follows:

Location	Description	Tenure
12 Gul Road Singapore 629343	Purpose-built single-storey factory with a two-storey ancillary office with land area of 32,986 square metres.	13 years ending 7 August 2018 and extended to 7 August 2027
14 Gul Road Singapore 629344	Yard with land area of 21,089 square metres.	30 years ending 15 January 2040
41 Middle Road #03-00 Singapore 188950	Office of 94 square metres.	999 years ending 29 January 2834
39 Senoko Drive Singapore 758224	Purpose-built single-storey detached factory with a two-storey office block with land area of 5,460 square metres.	16 years ending 31 July 2022 and extended to 30 November 2023.
20 Third Chin Bee Road Singapore 618639	Two-storey main building with a rear workshop and a side shed with land area of 5,399 square metres.	17 years ending 31 July 2024
46 Tuas Road Singapore 638499	Two-storey ancillary block and 6 workshops with land area of 18,549 square metres.	20 years ending 31 December 2041
2 Kranji Link Singapore 728648*	Three-storey standard terrace factory with a gross floor area of 3,082 square metres.	17 years ending 30 June 2025

* Acquired on 25 November 2022.

Included in property, plant and equipment are right-of-use assets of \$21,063,000 (2022: \$21,178,000) relating to land and buildings for which no future lease payments are required (Note 10).

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2023

10 Right-of-use assets

	Group	
	2023	2022
	\$'000	\$'000
Land and buildings		
2023		
Cost		
Beginning of financial year	16,289	12,937
Arising on acquisition of a subsidiary corporation (Note 31(c))	212	3,070
Additions	2,374	282
Derecognition ⁽¹⁾	(3,412)	-
End of financial year	15,463	16,289
Accumulated depreciation		
Beginning of financial year	5,073	3,210
Depreciation charge (Note 23) (Note 26)	1,961	1,863
Derecognition ⁽¹⁾	(3,355)	-
End of financial year	3,679	5,073
Carrying amount:		
End of financial year	11,784	11,216

⁽¹⁾ The derecognition of assets relate mainly to those leases which have expired.

The Group's right-of-use assets of \$21,063,000 (2022: \$21,178,000) relating to land and buildings for which no future lease payments are required, are presented within property, plant and equipment (Note 9).

11 Investment property

	Group	
	2023	2022
	\$'000	\$'000
Beginning of financial year	5,290	5,867
Fair value loss recognised in profit or loss (Note 23)	(367)	(577)
End of financial year	4,923	5,290

The fair value of the Group's investment property at the end of financial year has been determined on the basis of valuation carried out at the reporting date by an independent valuer with a recognised and relevant professional qualification and experience in the location and category of the properties being valued, and not related to the Group or management internally. The fair value was determined based on transacted prices for similar properties, adjusted for comparability. Such adjustments mainly relate to differences in remaining lease term and size of the comparable properties. As these adjustments constitute significant unobservable inputs, the fair value measurement of the investment property is categorised into Level 3 of the fair value hierarchy. There were no transfers between the respective levels during the financial years ended 30 June 2023 and 2022.

In estimating the fair value of the property, the highest and best use of the property is its current use. There has been no change to the valuation technique during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

11 Investment property (continued)

The rental income from the investment property, all of which are leased out under operating leases, amounted to \$755,000 (2022: \$641,000) (Note 22). Direct operating expenses (including repairs and maintenance) arising from rental-generating investment property amounted to \$359,000 (2022: \$394,000).

The Group considers the adjusted price per square metre used by the independent valuers in determining the fair value measurement of the Group's investment property as sensitive to the fair value measurement. The higher/(lower) the transacted price per square metre, the higher/(lower) the fair value.

Particulars of the investment property held by the Group as at 30 June 2023 and 2022 are as follows:

Location	Description	Tenure
1,3,5,7 Gul Road Singapore 629362, 629339, 629363, 629364 (Lot 4085T, Mukim 7)	4 blocks of part single/part two-storey factory building with land area of 15,665 square metres.	Leasehold (21 years ending 31 July 2028)

12 Goodwill

	Group	
	2023	2022
	\$'000	\$'000
Beginning of financial year	7,360	5,053
Goodwill arising on acquisitions (Note 31(c))	339	2,307
End of financial year	7,699	7,360

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	
	2023	2022
	\$'000	\$'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
Engineering CGU - Promoter Hydraulics Pte Ltd ("Promoter")	339	-
Other CGUs with insignificant goodwill	450	450
	7,699	7,360

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

12 Goodwill (continued)

Goodwill is tested annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the scaffolding services 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 are as follows:

	Estimated average growth rate		Discount rate	
	2023	2022	2023	2022
	%	%	%	%
Scaffolding services CGU	3.0	3.0	10.0	9.0
Engineering CGU - BTH Holdings	3.0	N.A.	11.0	N.A.

Discount rate used is derived from comparable rates used by other companies in the similar nature of business segment. As at 30 June 2023 and 2022, any reasonably possible changes to the key assumptions applied are not likely to cause the recoverable amounts to be below the carrying amounts of the CGU.

As the acquisition of Promoter was completed during the financial year ended 30 June 2023 and certain changes to Promoter which will ultimately increase its profitability has not been implemented, management has used fair value which has been determined based on consideration paid after considering the effect of changes in economics circumstances since its acquisition to assess the impairment and concluded no impairment is required.

During financial year ended 30 June 2022, the acquisition of BTH Holdings was only completed two months prior to the last financial year and certain changes to BTH Holdings Pte. Ltd. and its subsidiary corporation which would ultimately increase its profitability have not been implemented, management has used the fair value which was determined based on the consideration paid after considering the effect of changes in economic circumstance since its acquisition to assess the impairment and concluded no impairment is required.

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

13 Other intangible assets

	Customer relationships	E-commerce development cost	Total
	\$'000	\$'000	\$'000
Group			
2023			
Cost			
Beginning of financial year	-	20	20
Arising on acquisition of a subsidiary corporation (Note 31(c))	617	-	617
End of the financial year	617	20	637
Accumulated amortisation			
Beginning of financial year	-	16	16
Amortisation charge (Note 23)	154	4	158
End of the financial year	154	20	174
Carrying amount:			
End of financial year	463	-	463

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

13 Other intangible assets (continued)

	E-commerce development cost \$'000
Group	
2022	
Cost	
Beginning and the end of financial year	20
Accumulated amortisation	
Beginning of financial year	12
Amortisation charge (Note 23)	4
End of the financial year	16
Carrying amount:	
End of financial year	4

14 Investments in subsidiary corporations

	Company	
	2023	2022
	\$'000	\$'000
Unquoted equity shares, at cost	75,802	59,802
Add: Acquisition of subsidiary corporation	-	16,000
Less: Allowance for impairment	(19,308)	(19,000)
	56,494	56,802

Movement in the allowance for impairment is as follows:

	Company	
	2023	2022
	\$'000	\$'000
Beginning of financial year	19,000	19,000
Allowance recognised in profit or loss	308	-
End of financial year	19,308	19,000

As at 30 June 2023, the Company assessed the recoverable amounts of its investment in Yew Lee Seng Metal Pte. Ltd. ("YEW"). Following the assessment by management, the recoverable amount of investment in YEW was estimated to be nil based on its financial performance and hence an impairment loss of \$308,000 was recognised during the financial year ended 30 June 2023 to fully impair the Company's investment in YEW.

Certain banking facilities of the Group are secured by a charge over shares of certain subsidiary corporations with carrying amount of \$27,500,000 (2022: \$27,500,000) (Note 15).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

14 Investments in subsidiary corporations (continued)

The Group's subsidiary corporations as at 30 June 2023 and 2022 are listed in the table below.

Name of subsidiary corporation	Principal activities	Place of incorporation and business	Effective equity interest and voting power held	
			2023	2022
			%	%
<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
Hock Ann Metal Scaffolding Pte Ltd ⁽¹⁾	Scaffolding services.	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
BTH Holdings Pte. Ltd. ⁽²⁾	Investment holding.	Singapore	100	100
<u>Held by the subsidiary corporations</u>				
Hock Ann Marine Scaffolding Pte Ltd ⁽¹⁾	Scaffolding services.	Singapore	100	100
Union Applied Engineering Sdn Bhd ⁽²⁾⁽³⁾	Inactive.	Malaysia	100	100
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
YLS Holdings Sdn Bhd ⁽²⁾⁽⁴⁾	Investment holding.	Malaysia	45	45
Applied Engineering Pte Ltd ⁽²⁾	Process and industrial plant engineering design and consultancy services.	Singapore	100	100
Marshal Systems Pte Ltd ⁽¹⁾⁽⁵⁾	Contractors for electronic and electrical engineering works.	Singapore	100	-
Marshal Offshore and Marine Engrg Co., Ltd ⁽²⁾⁽⁵⁾	Contractors for electronic and electrical engineering works.	China	100	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

14 Investments in subsidiary corporations (continued)

Name of subsidiary corporation	Principal activities	Place of incorporation and business	Effective equity interest and voting power held	
			2023 %	2022 %
<u>Held by the subsidiary corporations</u>				
Promoter Hydraulics Pte Ltd ⁽¹⁾⁽⁵⁾	Sale and rental of marine equipment, marine accessories and parts.	Singapore	100	-
Fastweld Engineering Construction Pte Ltd ⁽²⁾⁽⁶⁾	Installation and construction of gas piping systems, aluminium or stainless fabrication and related structures.	Singapore	100	-
Megafab Engineering Pte Ltd ⁽¹⁾⁽⁷⁾	Equipment and related installation of industrial machinery, mechanical engineering work.	Singapore	-	70

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

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

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

(4) The entity is regarded as a subsidiary corporation 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) Acquired on 29 July 2022 (Note 31).

(6) Acquired on 25 November 2022 (Note 31).

(7) Disposed on 3 February 2023 (Note 30).

Subsidiary corporation with non-controlling interests

Management is of the view that the non-controlling interests are not material to the Group. Accordingly, disclosures otherwise required by SFRS(I) 12 *Disclosure of Interests in Other Entities* have not been made.

15 Borrowings

	Group		Company	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Bills payable	1,978	2,817	-	-
Bank loans	24,926	31,210	8,903	11,013
	26,904	34,027	8,903	11,013
Less: Amount due for settlement within 12 months (shown under current liabilities)	(18,223)	(21,757)	(2,240)	(2,240)
Amount due for settlement after 12 months	8,681	12,270	6,663	8,773

Bank loans are arranged at floating interest rates that ranged from 1.91% to 5.68% (2022: 1.50% to 3.10%) per annum with periodic repayment over 1 to 4 years.

Management is of the view that the carrying amounts of the loans approximates their fair values as interest rates are repriced to market rates at regular intervals.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

15 Borrowings (continued)

Bank loans amounting to \$8,903,000 (2022: \$11,013,000) are secured by a charge over shares of a subsidiary corporation (Note 14).

As at 30 June 2023 and 2022, there were no instances of non-compliance with bank loan covenants.

16 Trade and other payables

	Group		Company	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Trade payables - Non-related parties ⁽¹⁾	11,845	7,197	-	-
Rental deposits refundable	1,013	981	-	-
Accruals for operating expenses	5,394	3,908	1,172	750
Rental billed in advance	286	289	-	-
Contract liabilities (Note 21(b))				
- Progress billings	1,693	1,733	-	-
- Deferred government grants	-	6	-	-
- Advances from customers	1,487	2,470	-	-
- Deferred income	-	404	-	-
	3,180	4,613	-	-
Non-trade payables				
- Non-related parties ⁽²⁾	8,254	1,082	85	103
- Subsidiary corporations ⁽³⁾	-	-	27,061	25,127
	8,254	1,082	27,146	25,230
	29,972	18,070	28,318	25,980

⁽¹⁾ The average credit period on purchases of goods is 30 days (2022: 30 days). No interest is charged on outstanding balances.

⁽²⁾ As at 30 June 2023, non-trade payables to non-related parties included dividend payable to former shareholders and defer purchase consideration for acquisition of Fastweld Engineering Construction Pte Ltd which amounting to \$6,093,000 and \$1,250,000 respectively.

⁽³⁾ Non-trade payables to subsidiary corporations were unsecured, interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

17 Lease liabilities

	Group	
	2023	2022
	\$'000	\$'000
Maturity analysis:		
- Within one year	3,129	2,476
- In the second to fifth years inclusive	6,914	6,845
- After five years	7,718	8,227
	<u>17,761</u>	<u>17,548</u>
Less: Unearned interest	(4,151)	(4,439)
	<u>13,610</u>	<u>13,109</u>
Analysed as:		
- Current	2,523	1,890
- Non-current	11,087	11,219
	<u>13,610</u>	<u>13,109</u>

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

18 Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and the Company, and the movements thereon, during the current and prior reporting periods:

	Group		Company	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Beginning of financial year	(6,039)	(3,325)	(39)	(39)
Arising on acquisition of subsidiary corporations (Note 31(c))	(265)	(2,709)	-	-
Disposal of a subsidiary corporation (Note 30(a))	8	-	-	-
Charged/(credited) to profit or loss (Note 25)	184	(5)	-	-
End of financial year	<u>(6,112)</u>	<u>(6,039)</u>	<u>(39)</u>	<u>(39)</u>

The following is the analysis of the deferred tax balances (after offset) for statements of financial position purposes:

	Group		Company	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Deferred tax assets	65	65	-	-
Deferred tax liabilities	(6,177)	(6,104)	(39)	(39)
	<u>(6,112)</u>	<u>(6,039)</u>	<u>(39)</u>	<u>(39)</u>

Deferred tax balances arise mainly from fair value adjustment on acquisition of subsidiary corporations and differences between tax and book depreciation of property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

19 Share capital

	Group and Company			
	2023	2022	2023	2022
	Number of ordinary shares ('000)		\$'000	
Issued and fully paid:				
- At beginning and end of financial year	39,378	39,378	36,603	36,603

Fully paid ordinary shares, which have no par value, carry one vote per share and a right to dividends as and when declared by the Company.

20 Capital reserve

Capital reserve arose due to an increase in ownership interest in a subsidiary corporation during prior financial years. The balance represents the difference between the fair value of consideration paid and the carrying amount of non-controlling interests acquired.

Capital reserve is non-distributable.

21 Revenue

	Metals	Scaffolding	Engineering	Total
	\$'000	\$'000	\$'000	\$'000
2023				
Revenue from contracts with customers	41,763	10,502	45,830	98,095
Rental of materials and equipment	8,256	2	943	9,201
Total	50,019	10,504	46,773	107,296
2022				
Revenue from contracts with customers	47,134	6,706	15,139	68,979
Rental of materials and equipment	7,457	67	3,632	11,156
Total	54,591	6,773	18,771	80,135

(a) Disaggregation of revenue from contracts with customers

The Group derived revenue from the transfer of goods and services at a point in time and over time in the following segmentation and major product lines.

	Metals	Scaffolding	Engineering	Total
	\$'000	\$'000	\$'000	\$'000
Timing of revenue recognition				
2023				
At a point in time	41,763	39	19,550	61,352
Over time	-	10,463	26,280	36,743
Total	41,763	10,502	45,830	98,095
2022				
At a point in time	47,134	87	15,139	62,360
Over time	-	6,619	-	6,619
Total	47,134	6,706	15,139	68,979

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

21 Revenue (continued)*(a) Disaggregation of revenue from contracts with customers* (continued)

The Group derived from the revenue from type of good or services provided in the following segmentation and major product lines.

	Metals	Scaffolding	Engineering	Total
	\$'000	\$'000	\$'000	\$'000
Type of good or services				
2023				
Sale of goods	40,624	4	16,351	56,979
Scaffolding services	-	10,463	-	10,463
Mechanical construction and fabrication service	-	-	21,271	21,271
Engineering and metal services	1,139	35	8,208	9,382
Total	41,763	10,502	45,830	98,095
2022				
Sale of goods	45,886	20	13,219	59,125
Scaffolding services	-	6,686	-	6,686
Mechanical construction and fabrication service	-	-	926	926
Engineering and metal services	1,248	-	994	2,242
Total	47,134	6,706	15,139	68,979

(b) Contract assets and liabilities

	Group	
	2023	2022
	\$'000	\$'000
Contract assets (Note 7)	4,706	1,821
Contract liabilities (Note 16)	(3,180)	(4,613)

Contract assets relate primarily to the Group's right to consideration for works completed but not billed at the reporting date in respect of its construction contract of mechanical construction and fabrication service for specialised valves under the engineering segment. The contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Group issues invoices for progress billings to the customers.

Contract liabilities relate primarily to:

- the Group's obligation to transfer goods and services to customers for which the Group has received advances from customers;
- the progress billings issued to customers in accordance with the specified milestones in the contract for the mechanical construction and fabrication service for specialised valves in excess of the Group's right to the consideration; and
- the deferred income relates to advance billings to customers mainly for sale of motor vehicle bodies and marine deck equipment that had yet to be delivered as at the end of financial year.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2023

21 Revenue (continued)*(b) Contract assets and liabilities* (continued)

Contract liabilities are recognised as revenue when the Group fulfils its performance obligation under the contract with the customer.

(i) Revenue recognised in relation to contract liabilities

	Group	
	2023	2022
	\$'000	\$'000
Revenue recognised in current period that was included in the contract liabilities balance at the beginning of the period		
- Sale of goods	1,098	2,537
- Mechanical construction and fabrication service	1,638	33

(ii) Unsatisfied performance obligations

	Group	
	2023	2022
	\$'000	\$'000
Aggregate amount of the transaction price allocated to contracts that are partially or fully unsatisfied as at 30 June		
- Sale of goods	5,489	7,472
- Mechanical construction and fabrication service	20,300	8,410
- Engineering and metal services	6	-

Management expects that the transaction price allocated to unsatisfied performance obligations as at 30 June 2023 may be recognised as revenue in the next reporting periods as follows:

	2023	2024	2025	Total
	\$'000	\$'000	\$'000	\$'000
Partial and fully unsatisfied performance obligations as at:				
- 30 June 2022	13,704	2,178	-	15,882
- 30 June 2023	-	23,258	2,537	25,795

The amount disclosed above does not include variable consideration, which is subject to significant risk of reversal.

(c) Assets recognised from costs to fulfil contracts

Other than the contract assets disclosed above, the Group has no other current assets in relation to costs to fulfil contracts with customers. Deferred costs are costs incurred to fulfil a service obligation with customers. These costs are recognised in profit or loss as cost of sales on a basis consistent with the pattern of recognition of the associated revenue.

Based on management's assessment, the expected cost to complete the remaining construction and fabrication contracts as at 30 June 2023 is expected to be completely recovered through contract revenue, hence no expected loss is recognised in the financial year ended 30 June 2023.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

22 Other income - Others

	Group	
	2023	2022
	\$'000	\$'000
Transportation income	87	257
Rental of leasehold properties and warehouse	4,070	3,553
Rental of investment property (Note 11)	755	641
Gain on disposal of property, plant and equipment	92	354
Government grants	355	578
Gain on disposal of a subsidiary corporation (Note 30(b))	1,434	-
Others	459	89
	7,252	5,472

23 Other operating expenses - Others

	Group	
	2023	2022
	\$'000	\$'000
Write-down of inventories (Note 8)	5	1
Depreciation of right-of-use assets (Note 10)	1,961	1,863
Fair value loss on investment property (Note 11)	367	577
Amortisation of other intangible assets (Note 13)	158	4
Rental expense – short-term leases (Note 26)	1,229	594
Net foreign exchange losses/(gains)	118	(153)
Others	15	50
	3,853	2,936

24 Finance costs

	Group	
	2023	2022
	\$'000	\$'000
Interest on		
- Bills payable	57	57
- Bank loans	1,041	283
- Lease liabilities (Note 26)	695	558
	1,793	898

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2023

25 Income tax

	Group	
	2023	2022
	\$'000	\$'000
Tax expense attributable to profit or loss is made up of:		
- Current income tax	1,867	1,328
- Deferred income tax (Note 18)	(111)	5
- Withholding tax	-	232
	1,756	1,565
(Over)/under provision in prior financial years		
- Current income tax	(106)	50
- Deferred income tax (Note 18)	(73)	-
- Withholding tax	(16)	-
	(195)	50
	1,561	1,615

Income tax for the financial year can be reconciled to the accounting profit or loss as follows:

	Group	
	2023	2022
	\$'000	\$'000
Profit before income tax	12,703	8,950
Tax profit calculated at statutory rate of 17% (2022: 17%)	2,159	1,522
Expenses not deductible for tax purposes	303	383
Income not subject to tax	(469)	(75)
Statutory stepped income exemption	(187)	(103)
Deferred tax assets not recognised	237	160
Utilisation of previously unabsorbed losses and capital allowances	(32)	(173)
(Over)/under provision in prior financial years	(195)	50
Withholding tax	-	232
Others	(255)	(381)
	1,561	1,615

The Group has unabsorbed tax losses and unutilised capital allowances of approximately \$3,148,000 (2022: \$1,942,000). The resulting deferred tax asset has not been recognised in the financial statements due to the unpredictability of future profit streams.

The use of these potential tax benefits is subject to the agreement of the Inland Revenue Authority of Singapore and compliance with certain provisions of the Singapore Income Tax Act.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

26 Profit for the financial year

Profit for the financial year has been arrived at after charging:

	Group	
	2023	2022
	\$'000	\$'000
Directors' remuneration		
- The Company	1,840	1,109
- The subsidiary corporations	1,313	685
Employee benefits expense (including directors' remuneration)	18,926	11,618
Cost of defined contribution plans included in employee benefits expense	1,055	741
Depreciation of property, plant and equipment charge to		
- Cost of sales	2,669	1,800
- Administrative expense	1,919	1,438
	4,588	3,238
Audit fees		
- paid/payable to auditors of the Company	216	161
- paid/payable to other auditors	20	1
Other fees paid/payable to auditors of the Company	-	30

Amount recognised in profit or loss relating to leases (The Group as lessee)

	Group	
	2023	2022
	\$'000	\$'000
Depreciation of right-of-use assets (Note 10)	1,961	1,863
Interest on lease liabilities (Note 24)	695	558
Expense relating to short-term leases (Note 23)	1,229	594

The total cash outflow for leases amount to \$4,008,000 (2022: \$3,188,000).

27 Earnings per share

Earnings per share for the financial year ended 30 June 2023 has been calculated based on net profit for the financial year attributable to owners of the Company of \$11,003,000 (2022: \$7,074,000) over weighted average share of 39,378,000 (2022: 39,378,000) shares.

For the purpose of calculating diluted earnings per share, profit attributable to owners of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares.

The Group does not have any dilutive potential ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

28 Operating lease arrangementsThe Group as lessor

The Group leased out certain portions of its investment property, land and buildings and warehouse to non-related parties under operating leases. Rental income from these arrangements is disclosed in Note 22 to the financial statements.

Management is of the view that unguaranteed residual values do not represent a significant risk for the Group. The Group did not identify any indications that the situation will change.

Maturity analysis of operating lease payments:

	Group	
	2023	2022
	\$'000	\$'000
Year 1	1,755	1,768
Year 2	879	740
Year 3	273	43
	2,907	2,551

Revenue from rental of materials and equipment is disclosed in Note 21 to the financial statements. These leases were arranged on a rolling basis with no fixed tenure.

29 Segment information

The Group's reportable segments under SFRS(I) 8 *Operating Segments* are as follows:

- Metals - import and export of scrap metals, waste collection services, trading and leasing of metal products.
- Scaffolding - provision of scaffolding services and related consultancy services.
- 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.
- Others - income from rental of properties.

The following is an analysis of the Group's revenue and results by reportable segment:

	Segment revenue		Segment results	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Metals	50,019	54,591	8,475	8,981
Scaffolding	10,504	6,773	4,574	2,270
Engineering	46,773	18,771	2,702	1,425
Others	-	-	1,707	(40)
Total	107,296	80,135	17,458	12,636
Unallocated corporate expenses			(3,040)	(2,810)
Interest income			78	22
Finance costs			(1,793)	(898)
Profit before income tax			12,703	8,950

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

29 Segment information (continued)

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current and prior financial years. The breakdown of revenue by major products and services is disclosed in Note 21(a) to the financial statements.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2 to the financial statements. Segment results represent the profit earned by each segment without allocation of central administration costs, interest income, finance costs and income tax expense. This is the measure reported to the Board of Directors for the purposes of resource allocation and assessment of segment performance.

Fair value loss on investment property of \$367,000 (2022: \$577,000) was allocated to the others segment. There is no impairment loss on goodwill recognised during the financial years ended 30 June 2023 and 2022.

	2023	2022
	\$'000	\$'000
Segment assets		
Metals	52,943	51,760
Scaffolding	14,860	11,887
Engineering	80,710	67,590
Others	6,321	7,487
Total segment assets	154,834	138,724
Other unallocated assets	2,275	1,812
Total assets	157,109	140,536
Segment liabilities		
Metals	33,619	35,784
Scaffolding	2,206	1,460
Engineering	28,212	22,685
Others	2,752	1,458
Total segment liabilities	66,789	61,387
Other unallocated liabilities	12,674	11,924
	79,463	73,311

For the purposes of monitoring segment performance and allocating resources between segments the chief operating decision maker monitors the assets and liabilities attributable to each segment. All assets are allocated to reportable segments with the exception of cash and cash equivalents, other receivables, property, plant and equipment, right-of-use assets and other intangible assets of investment holdings companies. Goodwill has been allocated to reportable segments as described in Note 12.

All liabilities are allocated to reportable segments with the exception of bank loans and bills payable, other payables, lease liabilities and deferred tax liabilities of investment holding companies.

Assets and liabilities used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

29 Segment information (continued)**Geographical information**

The Group operates primarily in Singapore. The Group's revenue from external customers and information about its non-current assets are detailed below:

	Revenue from external customers		Non-current assets	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Singapore	83,554	68,301	73,278	71,667
India	1,573	5,975	-	-
Malaysia	753	2,385	983	720
Indonesia	6,719	967	-	-
Netherlands	545	780	-	-
France	4,170	324	-	-
United States of America	3,225	-	-	-
Middle East	2,144	-	-	-
China	1,665	-	-	-
Others	2,948	1,403	1	-
	107,296	80,135	74,262	72,387

Information about major customers

There were no customers which accounted for 10% or more of the Group's revenue.

Other segment information

	Depreciation and amortisation		Additions to non-current assets	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Metals	2,435	2,834	6,135	4,064
Scaffolding	578	501	439	757
Engineering	3,527	1,612	5,113	23,287
Others	167	158	316	68
Total	6,707	5,105	12,003	28,176

30 Disposal of subsidiary corporation

On 3 February 2023, the Group entered into a sale and purchase agreement with a non-related party to dispose off its 70% shareholding interest in Megafab Engineering Pte Ltd ("Megafab") for a consideration of \$2,100,000. The disposal was completed on the same day.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

30 Disposal of subsidiary corporation (continued)

The effects of the disposal on the cash flows of the Group are as follows:

(a) Net asset disposed off

The carrying amounts of assets and liabilities of Megafab at the date of disposal were as follows:

	\$'000
Cash and cash equivalents	576
Property, plant and equipment (Note 9)	360
Inventories	4,261
Trade and other receivables	3,008
Trade and other payables	(4,690)
Borrowings	(2,510)
Lease liabilities	(47)
Deferred tax liabilities (Note 18)	(8)
Net identifiable assets disposed	950
Less: Non-controlling interests	(284)
Net assets disposed off	<u>666</u>

(b) Gain on disposal of subsidiary corporation

	\$'000
Consideration received	2,100
Net assets disposed off	(666)
Gain on disposal of subsidiary corporation (Note 22)	<u>1,434</u>

(c) Cash inflow arising from disposal

	\$'000
Net assets disposed off (as above)	666
Gain on disposal of subsidiary corporation (Note 22)	1,434
Cash proceed on disposal	2,100
Less: cash and bank balances in the subsidiary disposed off	(576)
Net cash inflow from disposal	<u>1,524</u>

31 Business combinations**2023**

On 29 July 2022, the Company's wholly owned subsidiary corporation, Transvictory Holdings Pte Ltd acquired 100% equity interests in Promoter Hydraulics Pte. Ltd. ("Promoter") and Marshal Systems Private Limited and its subsidiary corporation ("Marshal Group") for purchase consideration of \$240,000 and \$265,000 respectively.

On 25 November 2022, the Company's wholly owned subsidiary corporation, Union Engineering Pte Ltd ("UEPL") acquired 100% of the issued shared capital of Fastweld Engineering Construction Pte Ltd ("Fastweld") for purchase consideration of \$2,500,000, where \$1,250,000 was paid on the acquisition date and the remaining \$1,250,000 is payable on 25 November 2023.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

31 Business combinations (continued)

2023 (continued)

Details of the consideration paid, the assets acquired, liabilities assumed and the effects on the cash flows of the Group, at the respective acquisition date, are as follows:

(a) Purchase consideration

Subsidiary corporation	Acquisition dates	Purchase consideration \$'000
Promoter Hydraulics Pte. Ltd.	29 July 2022	240
Marshal Systems Private Limited and its subsidiary corporation	29 July 2022	265
Fastweld Engineering Construction Pte Ltd	25 November 2022	2,500

(b) Effect on cash flows of the Group

	Promoter \$'000	Marshal Group \$'000	Fastweld \$'000	Total \$'000
Purchase consideration, representing cash consideration	240	265	2,500*	3,005
Consideration paid on acquisition	240	265	1,250	1,755
Less: cash and bank balances in subsidiary corporation acquired	(77)	(282)	(3,716)	(4,075)
Cash outflow/(inflow) on acquisitions	163	(17)	(2,466)	(2,320)

* The remaining cash consideration payable on 25 November 2023 of \$1,250,000 is included in non-trade payables to non-related parties (Note 16).

(c) Identifiable assets acquired and liabilities assumed

	Promoter \$'000	Marshal Group \$'000	Fastweld \$'000	Total \$'000
Property, plant and equipment (Note 9)	5	15	2,183	2,203
Right-of-use assets (Note 10)	-	-	212	212
Other intangible assets (Note 13)	-	-	617	617
Inventories	10	325	-	335
Cash and cash equivalents	77	282	3,716	4,075
Trade and other receivables	455	891	5,258	6,604
Total assets	547	1,513	11,986	14,046
Borrowings	-	-	-	-
Trade and other payables	(646)	(1,248)	(8,606)	(10,500)
Lease liabilities	-	-	(258)	(258)
Income tax payable	-	-	(357)	(357)
Deferred tax liabilities (Note 18)	-	-	(265)	(265)
Total liabilities	(646)	(1,248)	(9,486)	(11,380)
Total identifiable net assets	(99)	265	2,500	2,666
Add: goodwill (Note 12)	339	-	-	339
Purchase consideration	240	265	2,500	3,005

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

31 Business combinations (continued)**2023** (continued)*(d) Acquisition-related costs*

The Group incurred acquisition-related costs relating to external legal fees and due diligence cost aggregate to \$70,000 which have been excluded from the consideration and expensed-off as administrative expenses in the Group's profit or loss.

(e) Fair values

The fair value of the acquired identifiable intangible assets related to customer relationships of \$617,000 arising from the acquisition of Fastweld has been determined using the Multi-period Excess Earnings Method. The discount rate used to discount future cash flow is 11%.

(f) Revenue and profit contribution

The revenue and net profit contributed by the newly acquired businesses to the Group from the respective date of acquisition to 30 June 2023 are as follows:

	Promoter \$'000	Marshal Group \$'000	Fastweld \$'000
Revenue	1,586	4,560	4,352
Net profit	369	977	15

Had the above subsidiary corporations been acquired from 1 July 2022, consolidated revenue and consolidated net profit for the financial year ended 30 June 2023 would have been \$116,093,000 and \$12,688,000 respectively.

2022

On 4 May 2022, the Company acquired 100% of the issued share capital in BTH Holdings Pte. Ltd. and its wholly owned subsidiary corporation, Applied Engineering Pte Ltd (collectively, "BTH Group"), for cash consideration of \$16,000,000. As a result of the acquisition, the Group's market share and performance in the engineering CGU is expected to increase.

Details of the consideration paid, the assets acquired, liabilities assumed and the effects on the cash flows of the Group, at the acquisition date, are as follows:

(a) Purchase consideration

	\$'000
Cash paid	16,000

(b) Effect on cash flows of the Group

	\$'000
Cash paid (as above)	16,000
Less: Cash and cash equivalents in subsidiary corporation acquired	(139)
Cash outflow on acquisition	15,861

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

31 Business combinations (continued)**2022** (continued)*(c) Assets and liabilities recognised as a result of the acquisition*

	\$'000
Cash and cash equivalents	139
Property, plant and equipment (Note 9)	17,234
Right-of-use assets (Note 10)	3,070
Inventories	309
Trade and other receivables	5,258
Trade and other payables	(5,315)
Income tax payable	(15)
Borrowings	(869)
Lease liabilities	(3,409)
Deferred tax liabilities (Note 18)	(2,709)
Net identifiable assets acquired	13,693
Add: goodwill (Note 12)	2,307
	<u>16,000</u>

(d) Provisional accounting of the acquisition

The acquisition of BTH Group was completed and accounted for provisionally during the financial year ended 30 June 2022. Accordingly, the fair value of the acquired assets and liabilities assumed of BTH Group had been determined on a provisional basis as the final result of the independent valuation had not been completed and available by the date the financial statements were authorised for issue.

The provisional goodwill is attributable to BTH Group's market reputation, strong customer relationships and certain licenses held which are still subject to the subsequent assessment for the purchase price allocation.

The fair value of the acquired assets and liabilities were finalised during the financial year ended 30 June 2023 within the 12 months provisional period and no adjustments were required to be made on the provisional numbers reported in the prior financial year.

(e) Acquisition-related costs

The Group incurred acquisition-related costs relating to external legal fees and due diligence cost aggregate to \$313,000 which have been excluded from the consideration and have been expensed-off as administrative expenses in the Group's profit or loss.

(f) Revenue and profit contribution

The acquired business contributed revenue of \$926,000 and net loss of \$310,000 to the Group for the period from 4 May 2022 to 30 June 2022.

Had BTH Group been acquired from 1 July 2021, consolidated revenue and consolidated net profit for the financial year ended 30 June 2022 would have been \$87,215,000 and \$4,285,000 respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

32 Dividends

	Group and Company	
	2023	2022
	\$'000	\$'000
<i>Ordinary dividends</i>		
Final dividend in respect of the financial year ended 30 June, tax exempt one-tier final cash dividend of 1.00 cents per share (2022: 4.00 cents per share)	394	1,575

At the Annual General Meeting on 27 October 2023, a final dividend of 5.00 cent per share amounting to a total of \$1,969,000 will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 30 June 2024.

33 Events occurring after reporting date

On 14 August 2023, The Company's wholly owned subsidiary corporation, Transvictory Holdings Pte Ltd (the "Purchaser") was granted by Leong Jin Corporation Pte Ltd (the "Vendor") an option to purchase (the "Option") the remaining leases of the 30-years leasehold interest commencing from 1 April 2006 for 9 Pioneer Walk Singapore 627752 together with the buildings and structures erected (the "Property"), and the Purchaser has, on 8 September 2023, exercised the Option in accordance with the terms of the Option.

The Property is a leasehold property with an initial leasehold interest for a term of 30 years commencing from 1 April 2006, together with a covenant by the Jurong Town Council ("JTC") for the grant of a further term of 30 years commencing from 1 April 2036 on the terms and conditions set out in the JTC lease. It comprises a single-storey factory block, a 2-storey building and a 3-storey ancillary office factory block erected on Lot 4109P of Mukim 6 located at 9 Pioneer Walk Singapore 627752.

Pursuant to the terms and conditions of the Option, the consideration for the Proposed Acquisition is \$13,800,000.

The proposed acquisition has not been completed at the date of authorisation of these financial statements.

34 New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published and are relevant for the Group's accounting periods beginning on or after 1 July 2023 and which the Group has not early adopted.

Amendments to SFRS(I) 1-1 *Presentation of Financial Statements*:

Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after 1 January 2023)

The narrow-scope amendments to SFRS(I) 1-1 *Presentation of Financial Statements* clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what SFRS(I) 1-1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

The Group does not expect any significant impact arising from applying these amendments.

NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 30 June 2023***34 New or revised accounting standards and interpretations (continued)****Amendments to SFRS(I) 1-12 *Income Taxes*:**

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023)

The amendments to SFRS(I) 1-12 *Income Taxes* require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations, and will require the recognition of additional deferred tax assets and liabilities.

The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- Right-of-use assets and lease liabilities, and
- Decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate.

SFRS(1) 1-12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.

The Group does not expect any significant impact arising from applying these amendments.

Shareholding Statistics

As at 18 September 2023

UNION STEEL HOLDINGS LIMITED

Number of shares (excluding treasury shares and subsidiary holdings)	:	39,378,100
Class of shares	:	Ordinary shares
Voting rights	:	One (1) vote per share
No. of treasury shares and percentage	:	Nil
No. of subsidiary holdings held and percentage	:	Nil

Distribution of shareholdings as at 18 September 2023

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	44	3.85	463	0.00
100 - 1,000	424	37.06	277,332	0.70
1,001 - 10,000	545	47.64	2,098,715	5.33
10,001 - 1,000,000	127	11.10	8,343,407	21.19
1,000,001 and above	4	0.35	28,658,183	72.78
Total	1,144	100.00	39,378,100	100.00

Twenty largest shareholders as at 18 September 2023

No	Name of Shareholders	No. of Shares	%
1	Ang Yu Seng	13,724,840	34.85
2	Goi Seng Hui	8,584,000	21.80
3	Ang Yew Chye	4,346,043	11.04
4	Lian Bee Metal Pte Ltd	2,003,300	5.09
5	Wilson Ong (Wilson Wang)	861,200	2.19
6	Phillip Securities Pte Ltd	589,799	1.50
7	Lim And Tan Securities Pte Ltd	502,000	1.27
8	Lim Ah Kaw @ Lim Lan Ching	451,390	1.15
9	Chew Ghim Bok	450,000	1.14
10	Ang Jun Long	390,800	0.99
11	Leh Bee Hoe	263,600	0.67
12	Cheng Buck Poh @ Chng Bok Poh	203,400	0.52
13	DBS Nominees Pte Ltd	194,200	0.49
14	Lim Puay Lan	167,300	0.42
15	BNP Paribas Nominees Singapore Pte Ltd	166,300	0.42
16	Seah Kiok Leng	159,300	0.40
17	Maybank Securities Pte. Ltd.	139,700	0.36
18	Goh Ching Yu @ Goh Chwee Lian	120,600	0.31
19	Chiam Hock Poh	113,910	0.29
20	Qiu Qianliang	100,000	0.25
Total:		33,531,682	85.15

SHAREHOLDING STATISTICS

*As at 18 September 2023***Substantial Shareholders as at 18 September 2023**

No	Name of Shareholders	Direct Interest		Deemed Interest	
		No. of Shares	%	No. of Shares	%
1	Ang Yu Seng	13,724,840	34.85	-	-
2	Goi Seng Hui	8,584,000	21.80	-	-
3	Ang Yew Chye	4,346,043	11.04	-	-
4	Lian Bee Metal Pte Ltd	2,003,300	5.09	-	-

As at 18 September 2023, 27.19% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST which requires 10% of the equity securities (excluding preference shares and convertible equity securities) in a class that is listed to be in the hands of the public.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting (“**AGM**”) of Union Steel Holdings Limited (the “**Company**” or collectively with its subsidiaries, the “**Group**”) will be held at 33 Pioneer Road North, Singapore 628474 on Friday, 27 October 2023 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements and Directors’ Statement of the Company and the Group for the financial year ended 30 June 2023 together with the Independent Auditor’s Report thereon. **Resolution 1**
2. To declare a final dividend of 5 Singapore cents per share tax exempt (one-tier) for the financial year ended 30 June 2023. **Resolution 2**
3. To approve the payment of Directors’ fees of S\$174,600 for the financial year ending 30 June 2024, payable quarterly in arrears. (2023: S\$174,600) **Resolution 3**
4. To re-elect the following Directors of the Company who retire pursuant to Regulation 91 of the Constitution of the Company:

Regulation 91

Mr. Ang Yu Seng **Resolution 4**
Mr. Wong Loke Tan **Resolution 5**

[See Explanatory Note (i)]
5. To re-appoint CLA Global TS Public Accounting Corporation, as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **Resolution 6**
6. To transact any other ordinary business which may properly be transacted at an AGM.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

7. **Authority to issue shares in the capital of the Company pursuant to Section 161 of the Companies Act 1967 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited**

That pursuant to Section 161 of the Companies Act 1967 and Rule 806 of the Listing Manual of the SGX-ST, the Directors of the Company be authorised and empowered to:

- (a) (i) issue shares in the Company (“**Shares**”) whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares pursuant to any Instrument made or granted by the Directors of the Company while this Resolution was in force,

NOTICE OF ANNUAL GENERAL MEETING

(the “*Share Issue Mandate*”)

provided that:

- (1) the aggregate number of shares (including shares to be issued pursuant to the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (a) above, the percentage of the total issued shares shall be based on the total number of issued shares in the capital of the Company (excluding treasury shares and subsidiary holdings) at the time this Resolution is passed, after adjusting for:
 - (a) new shares arising from the conversion or exercise of the Instruments or any convertible securities;
 - (b) new shares arising from exercising share options or vesting of share awards, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual; and
 - (c) any subsequent bonus issue, consolidation or subdivision of shares;

Adjustments in accordance with Rule 806(3)(a) or Rule 806(3)(b) are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of the resolution approving the mandate.

- (3) in exercising the Share Issue Mandate conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, the Share Issue Mandate shall continue in force (i) until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments.

[See Explanatory Note (ii)]

Resolution 7

By Order of the Board

Shirley Tan Sey Liy
Liu Wen Juan
Company Secretaries

Singapore, 12 October 2023

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

- (i) Mr. Wong Loke Tan will, upon re-election as a Director of the Company, remain as a Chairman of the Remuneration Committee and a member of the Audit Committee and will be considered independent pursuant to Rule 704(8) of the Listing Manual of the SGX-ST.
- (ii) Resolution 7 above, if passed, will empower the Directors of the Company from the date of this AGM until the date of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to twenty per centum (20%) may be issued other than on a pro rata basis to existing shareholders of the Company.

For determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this Resolution is passed and any subsequent consolidation or subdivision of shares.

Notes :

1. The members of the Company are invited to attend physically only at the AGM. This Notice of AGM, proxy form, the Request Form (to request for printed copy of the Annual Report) and the Annual Report for Financial Year Ended 30 June 2023 (“**Annual Report**”) will be sent to members by electronic means via publication on the Company’s corporate website at the URL: <https://www.unionsteel.com.sg/> and is also made available on SGXNET at the URL: <https://www.sgx.com/securities/company-announcements>. Printed copies of this Notice of AGM, proxy form and the Request Form will also be sent by post to members. Members who wish to receive a printed copy of the Annual Report are required to complete the Request Form and return it to the Company by 20 October 2023:
 - (i) via email to corporate@unionsteel.com.sg; or
 - (ii) via post to the Company’s registered address at 33 Pioneer Road North, Singapore 628474.
2. A member of the Company (other than a Relevant Intermediary*) entitled to attend and vote at this meeting is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him/her (which number and class of shares shall be specified).
4. Where a member appoints two proxies, he/she shall specify the proportion of his/her shareholding to be represented by each proxy in the instrument appointing the proxies.
5. A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf. The appointment of proxy must be executed under seal or the hand of its duly authorised officer or attorney in writing.
6. The instrument appointing a proxy must be submitted to the Company in the following manner:
 - (a) If submitted by post, be lodged at the Company’s registered office at 33 Pioneer Road North, Singapore 628474; or
 - (b) If submitted electronically, be submitted via email to the Company at corporate@unionsteel.com.sg,

IN EITHER CASE BY NO LATER THAN 10.00 A.M. ON 25 OCTOBER 2023, BEING 48 HOURS BEFORE THE TIME APPOINTED FOR THE AGM.

NOTICE OF ANNUAL GENERAL MEETING

7. A member may submit questions relating to the resolutions to be tabled for approval at the AGM or the Company's businesses and operations by:–
- (a) mail to the Company's registered office at 33 Pioneer Road North, Singapore 628474;
 - (b) email to corporate@unionsteel.com.sg; or
 - (c) "live" at the AGM.

When submitting the questions, please provide the Company with the following details, for verification purpose:–

- (i) full name;
- (ii) NRIC number;
- (iii) current address;
- (iv) contact number; and
- (v) number of Shares held. Please also indicate the manner in which you hold Shares in the Company (e.g. via CDP, CPF or SRS).

Shareholders are encouraged to submit their questions before 19 October 2023, as this will allow the Company sufficient time to address and respond to these questions on or before 23 October 2023, 10.00 a.m. (48 hours prior to the closing date and time for the lodgement of the proxy forms). The responses will be published on (i) the SGX-ST's website; and (ii) the Company's corporate website.

* A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act 1970 or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act 2001 and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act 1953, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Personal Data Privacy

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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UNION STEEL HOLDINGS LIMITED

Company Registration No. 200410181W
(Incorporated in the Republic of Singapore)

ANNUAL GENERAL MEETING PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his/her vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, _____ (name) NRIC / Passport No. _____

of _____ (address)

being *a member/members of Union Steel Holdings Limited ("Company" or collectively with its subsidiaries, "Group"), hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings	
			No of Shares	%

*and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings	
			No of Shares	%

or failing *him/her/them, the Chairman of the Meeting as *my/our proxy to vote for *me/us on *my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting ("AGM" or "Meeting") of the Company to be held at 33 Pioneer Road North, Singapore 628474 on Friday, 27 October 2023 at 10.00 a.m. and at any adjournment thereof. I/We* direct my/our proxy/proxies* to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies* will vote or abstain from voting at his/her* discretion.

No.	Resolutions relating to:	No. of votes 'For'***	No. of votes 'Against'***	No. of votes 'Abstain'***
ORDINARY BUSINESS				
1	Audited Financial Statements and Directors' Statement of the Company and the Group for the financial year ended 30 June 2023			
2	Payment of Proposed Final Dividend			
3	Approval of Directors' fees amounting to S\$174,600 for the financial year ending 30 June 2024, payable quarterly in arrears (2023: S\$174,600)			
4	Re-election of Mr. Ang Yu Seng as a Director under Regulation 91			
5	Re-election of Mr. Wong Loke Tan as a Director under Regulation 91			
6	Re-appointment of CLA Global TS Public Accounting Corporation as the Auditors of the Company			
SPECIAL BUSINESS				
7	Authority to issue new shares			

**If you wish to exercise all your votes 'For' or 'Against' or 'Abstain', please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate. If you mark the abstain box for a particular resolution, you are directing your proxy not to vote on that resolution on a poll and your votes will not be counted in computing the required majority on a poll.

Dated this _____ day of _____ 2023

Signature of Shareholder(s) and/or Common Seal of Corporate Shareholder

*Delete where inapplicable

IMPORTANT: PLEASE READ NOTES OVERLEAF

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act 2001 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company who is not a Relevant Intermediary (as defined below) entitled to attend and vote at this AGM is entitled to appoint one or two proxies to attend and vote in his/her stead. Where such member appoints two proxies, the proportion of his/her shareholding which each proxy has been appointed shall be specified in the proxy form. A proxy need not be a member of the Company.
3. A member of the Company who is a Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than one proxy, the number and class of shares to which each proxy has been appointed shall be specified in the proxy form.
4. The instrument appointing a proxy must be submitted to the Company in the following manner:
 - (a) If submitted by post, be lodged at the Company's registered office at 33 Pioneer Road North, Singapore 628474; or
 - (b) If submitted electronically, be submitted via email to the Company at corporate@unionsteel.com.sg,
in either case by no later than 10.00 a.m. on 25 October 2023, being 48 hours before the time appointed for the AGM.
5. A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 72 hours before the time fixed for holding the AGM in order for the Depositor to be entitled to attend and vote at the AGM.
6. Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the AGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the AGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the AGM.
7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act 1967 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.
9. An investor who holds shares under the Central Provident Fund ("CPF") Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his/her vote(s) at the AGM in person. CPF and SRS Investors who are unable to attend the AGM but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the AGM to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the AGM.

* Relevant Intermediary is:

- a. a banking corporation licensed under the Banking Act 1970 of Singapore or a wholly owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
- b. a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act 2001 of Singapore and who holds shares in that capacity; or
- c. the Central Provident Fund Board ("CPF Board") established by the Central Provident Fund Act 1953 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his/her name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 12 October 2023.

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Corporate Information

BOARD OF DIRECTORS

Mr. Ang Yu Seng
Mr. Ang Yew Chye
Mr. Siau Kai Bing
Mr. Wong Loke Tan
Ms. Tan Min-Li
Mr. Goi Kok Ming (Wei Guoming)

KEY MANAGEMENT

Mr. Wilson Ong
Mr. Ang Jun Long
Ms. Liu Wen Juan

NOMINATING COMMITTEE

Ms. Tan Min-Li (Chairman)
Mr. Ang Yu Seng
Mr. Siau Kai Bing

REMUNERATION COMMITTEE

Mr. Wong Loke Tan (Chairman)
Mr. Siau Kai Bing
Ms. Tan Min-Li

AUDIT COMMITTEE

Mr. Siau Kai Bing (Chairman)
Mr. Wong Loke Tan
Ms. Tan Min-Li

SHARE REGISTRAR

B.A.C.S. Private Limited
77 Robinson Road
#06-03 Robinson 77
Singapore 068896

INDEPENDENT AUDITOR

CLA Global TS Public Accounting Corporation
80 Robinson Road #25-00
Singapore 068898
Audit director: Ms. Meriana Ang Mei Ling
(Date of appointment: 29 October 2020)

COMPANY SECRETARIES

Ms. Shirley Tan Sey Liy (MSc Mgmt (Hons)
(UCD), FCS, FCG)
Ms. Liu Wen Juan

PRINCIPAL BANKERS

DBS Bank Limited
Oversea-Chinese Banking Corporation Limited
United Overseas Bank Limited

INVESTOR RELATIONS

Union Steel Corporate Marketing
33 Pioneer Road North
Singapore 628474

