Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Email: admin@sias.org.sg
www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y0Y

Issuer: Union Steel Holdings Limited

Stock code: BLA

Meeting details:
Date: 27 Oct 2023
Time: 10.00 a.m.
Venue: 33 Pioneer Road North, Singapore 628474

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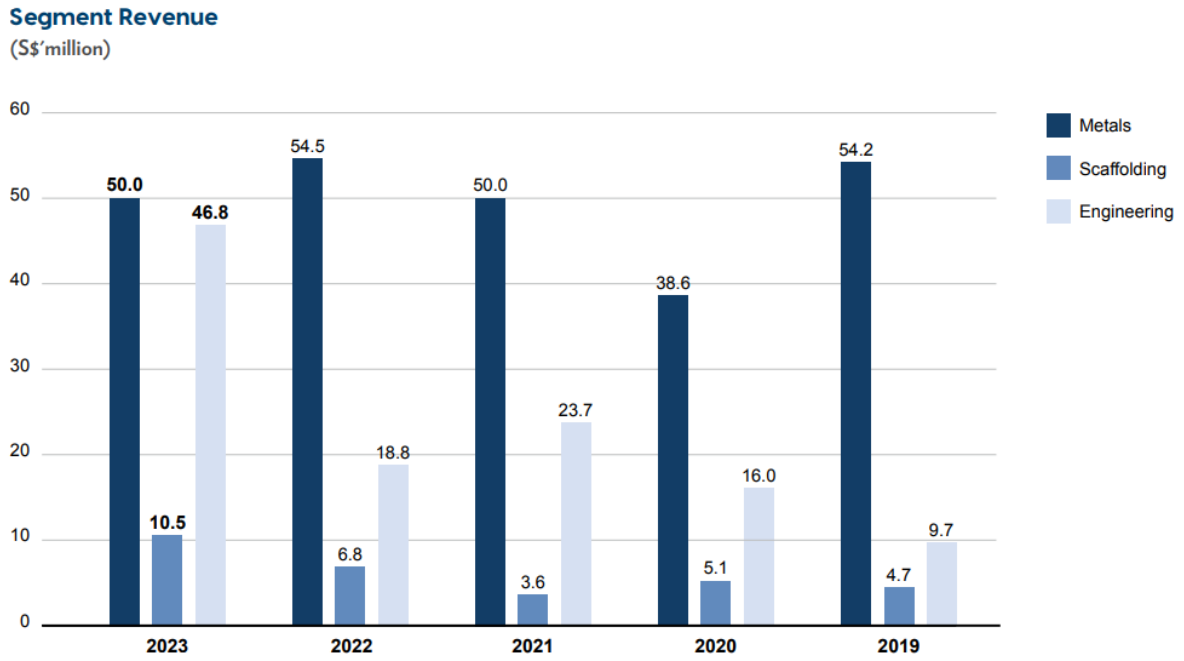
Q1. Revenue for the financial year ended 30 June 2023 increased by 34.0% to $107.3 million, attributable to the growth of the engineering and scaffolding segments.

As noted in the chairman's statement, the group has steadily expanded into complementary business segments within the offshore, marine, oil and gas industries. Management is targeting the engineering segment as the key growth driver for the group.



(Source: company annual report)

(i) **Metal recycling (YLS Steel Pte Ltd): Can management help shareholders better understand the scale of its metal recycling business? How much of the revenue under "Metals" could be attributed to metal recycling? What is its market share in Singapore and what is utilisation rate of its recycling capacity?**

(ii) **Scaffolding (Hock Ann Metal Scaffolding Pte Ltd): With management anticipating "a return to regular operations" after pent-up demand for scaffolding services, could management elaborate on the strategies for sustaining or enhancing profitability in this context? What is the competitive advantage of Hock Ann Metal Scaffolding Pte Ltd?**

(iii) **Engineering: What are management's views on the oil and gas sector? Are the decisions to make acquisitions and investments in the sector based on management's view that the industry will undergo a strong and sustained recovery, along with the scenario of sustained high oil prices within the range of $80-100+ per barrel?**

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Q2. The "valuation of trade receivables" is a key audit matter (KAM) highlighted by the independent auditor in their report on the audit of the financial statements. Key audit matters are those matters that, in the professional judgement of the Independent Auditor, were of most significance in the audit of the financial statements of the current period.

As noted in the KAM, the group has provided expected credit loss allowance on trade receivables of $4,910,000 (2022: $3,960,000) which represents approximately 18% of the group's gross trade receivables of $27,658,000 (2022: $16,220,000).

Gross and net trade receivables increased by 70.5% and 85.5% respectively, a disproportionately large increase compared to the 34.0% increase in revenue.

(i) **Can management provide clarification regarding any challenges or delays the group may have encountered in collecting trade receivables from its customers?**

(ii) **How robust is the group's credit risk framework? What guidance has the board given to management with regard to credit risk given that the group has a network of nearly 20 operating subsidiaries?**

For the year, an additional loss allowance of $815,000 was recognised. The aging profile of the trade receivables is shown below (page 95).

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

(Source: company annual report)

(iii) **Can the audit committee (AC)/management disclose the profiles of customers with long-outstanding trade receivables?**

(iv) **What is the upper limit on the aging of the trade receivables? Please show the detailed breakdown of trade receivables by aging for each customer with trade receivables past due, including the use of appropriate time brackets to help shareholders understand the risks associated with the outstanding debts.**

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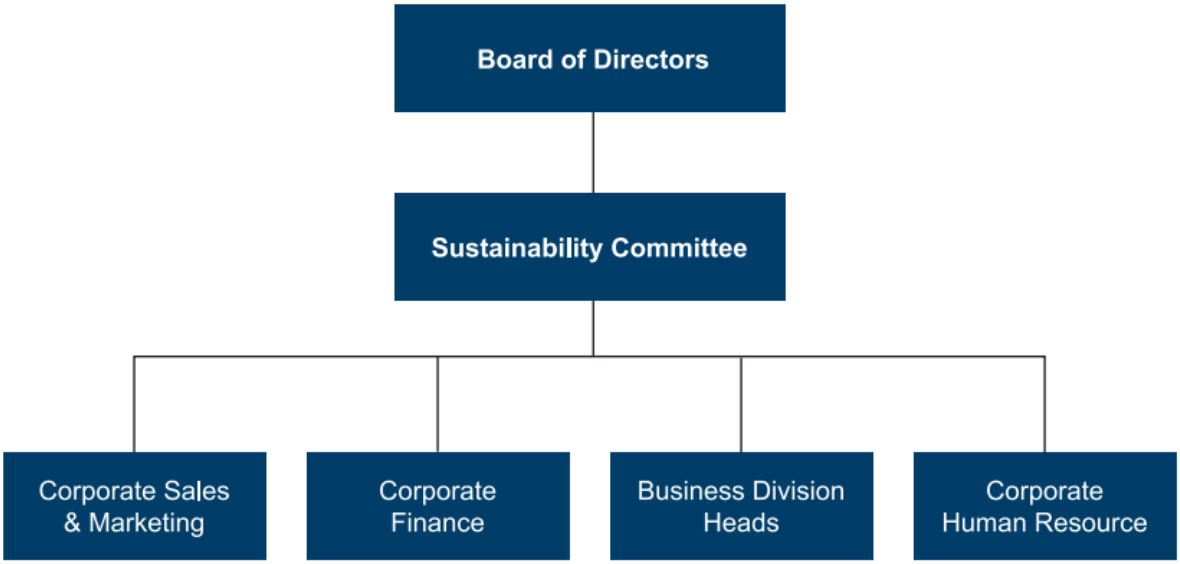
(v) **In particular, can management provide an update regarding the $13.195 million in trade receivables past due 1 to 90 days as at 30 June 2023? What are the reasons for the significant amount and have the debts been successfully collected?**

Q3. The group's sustainability report, now in its sixth edition, can be found on pages 16 to 30 of the annual report. The board recognises the importance and the need for all levels within the organisation to be aware of sustainable practices. In an effort to fully integrate sustainability into the group's business operations, a dedicated Sustainability Committee has been established.



(Source: company annual report)

(i) **Can the company elaborate further on the size and composition of its Sustainability Committee?**

(ii) **Given that the group has approximately 20 operating subsidiaries, how does the board ensure the buy-in and active participation of all the subsidiaries?**

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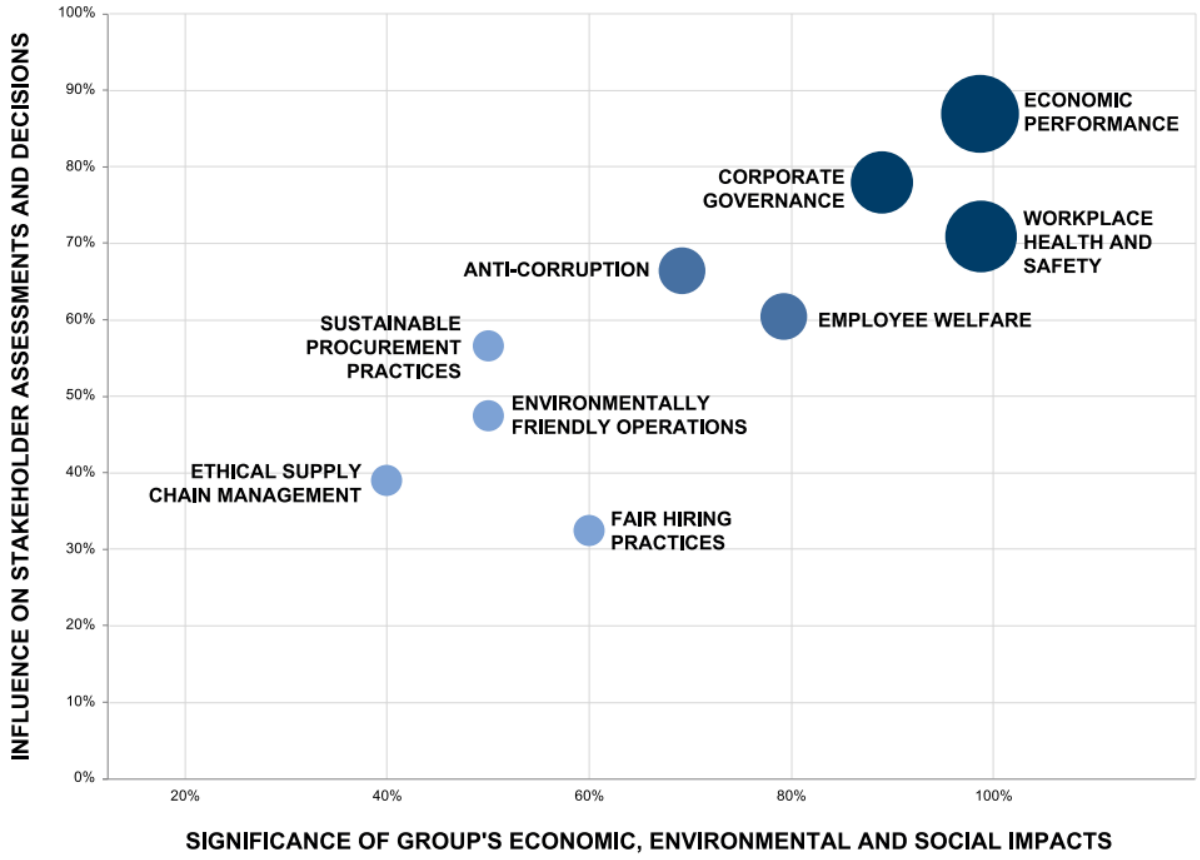
Following a materiality assessment, the company has also mapped out the materiality matrix to reflect its priorities (page 20).



(Source: company annual report)

(iii) **Can the board provide shareholders with greater insights on the deliberations it has had regarding the prioritisation of the material topics?** It seems that economic performance is the primary focus of the board and the sustainability committee, while environmental factors appear to have lower priority.

(iv) **In addition, for the benefit of shareholders, can the board share its views on the long-term prospects of the oil and gas sectors given that growing momentum of the decarbonisation trend?**

(v) **What percentage of the group's revenue could be attributed to low-carbon or renewable energy sources?**

(vi) **Has the board evaluated specific opportunities in the renewables and clean energy sectors?**

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