

UNION GAS HOLDINGS LIMITED

(Registration No: 201626970Z)

Condensed Interim Financial Statements

For the Six-Months Ended 30 June 2022

UNION GAS HOLDINGS LIMITED

**Condensed Interim Financial Statements
For the Six-Months Ended 30 June 2022**

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UNION GAS HOLDINGS LIMITED

**Condensed Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Six-Months Ended 30 June 2022**

	<u>Notes</u>	<u>Unaudited</u> <u>6 months ended</u>		Increase/ (decrease) %
		<u>30 June</u> <u>2022</u> \$'000	<u>30 June</u> <u>2021</u> \$'000 (Restated)	
Revenue	4	68,312	61,201	11.6
Cost of sales		(50,557)	(36,202)	39.7
Gross profit		17,755	24,999	(29.0)
Other income and gains		1,801	10,132	(82.2)
Marketing and distribution costs		(10,195)	(10,642)	(4.2)
Administrative expenses		(5,918)	(7,578)	(21.9)
Finance costs		(326)	(153)	113.1
Other expenses		(148)	(4)	N.M.
Profit before income tax	6	2,969	16,754	(82.3)
Income tax expense	7	(524)	(2,397)	(78.1)
Profit, net of tax and total comprehensive income		2,445	14,357	(83.0)

	<u>Unaudited</u> <u>6 months ended</u>	
	<u>30 June</u> <u>2022</u> Cents	<u>30 June</u> <u>2021</u> Cents (Restated)
Basic and diluted earnings per share – Based on weighted average number of ordinary shares in issue	0.77	4.59

N.M.- Not meaningful

Note: The comparative figures have been restated due to accounting for acquisition of subsidiaries under common control in 2021 using the pooling interest method (see Note 14).

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

UNION GAS HOLDINGS LIMITED

Condensed Interim Statements of Financial Position As at 30 June 2022

	Notes	Group	
		Unaudited 30 June 2022 \$'000	Audited 31 December 2021 \$'000
ASSETS			
<u>Non-current assets</u>			
Property, plant and equipment	10	57,116	59,897
Investment property		240	240
Goodwill		1,873	1,873
Intangible assets		1,451	1,828
Other financial asset		1,000	1,000
Contract costs, non-current		2,254	2,586
Other non-financial assets, non-current		18,048	12,998
Total non-current assets		81,982	80,422
<u>Current assets</u>			
Inventories		2,862	2,702
Contract costs, current		799	766
Trade and other receivables		26,066	21,324
Other non-financial assets, current		8,658	7,364
Income tax recoverable		–	268
Cash and cash equivalents		11,410	14,244
Total current assets		49,795	46,668
Total assets		131,777	127,090
EQUITY AND LIABILITIES			
<u>Equity attributable to owners of the Company</u>			
Share capital	11	99,023	99,023
Retained earnings		37,607	35,162
Other reserves		(78,164)	(78,164)
Total equity		58,466	56,021
<u>Non-current liabilities</u>			
Provisions		1,655	1,785
Deferred tax liabilities		2,813	2,771
Bank borrowings, non-current	12	18,614	20,541
Lease liabilities, non-current	12	9,750	10,164
Total non-current liabilities		32,832	35,261
<u>Current liabilities</u>			
Income tax payable		1,343	1,645
Trade and other payables		28,292	27,981
Bank borrowings, current	12	8,835	3,800
Lease liabilities, current	12	1,556	1,969
Contract liabilities		453	413
Total current liabilities		40,479	35,808
Total liabilities		73,311	71,069
Total equity and liabilities		131,777	127,090

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

UNION GAS HOLDINGS LIMITED

Condensed Interim Statements of Financial Position As at 30 June 2022

	Notes	Company	
		Unaudited 30 June 2022 \$'000	Audited 31 December 2021 \$'000
ASSETS			
<u>Non-current assets</u>			
Property, plant and equipment	10	18,618	18,914
Investments in subsidiaries		110,564	108,305
Other non-financial assets, non-current		352	272
Total non-current assets		129,534	127,491
<u>Current assets</u>			
Trade and other receivables		5,378	2,338
Other non-financial assets, current		84	3
Cash and cash equivalents		1,649	2,219
Total current assets		7,111	4,560
Total assets		136,645	132,051
EQUITY AND LIABILITIES			
<u>Equity attributable to owners of the Company</u>			
Share capital	11	99,023	99,023
Retained earnings		10,648	10,259
Total equity		109,671	109,282
<u>Non-current liabilities</u>			
Provision		105	105
Trade and other payables		8,007	–
Bank borrowings, non-current	12	8,354	8,815
Lease liabilities, non-current	12	6,096	6,186
Total non-current liabilities		22,562	15,106
<u>Current liabilities</u>			
Trade and other payables		3,313	6,571
Bank borrowings, current	12	917	911
Lease liabilities, current	12	182	181
Total current liabilities		4,412	7,663
Total liabilities		26,974	22,769
Total equity and liabilities		136,645	132,051

The accompanying notes form an integral part of these financial statement

UNION GAS HOLDINGS LIMITED

**Condensed Interim Statements of Changes in Equity
For the Six-Months Ended 30 June 2022**

	Share capital \$'000	Retained earnings \$'000	----- Other reserves -----			Total other reserves \$'000	Total equity \$'000
			Merger reserve \$'000	Capital reserve \$'000	Share-based payment reserve \$'000		
Unaudited							
Group							
Current year							
Opening balance at 1 January 2022	99,023	35,162	(81,482)	3,318	–	(78,164)	56,021
Total comprehensive income for the period	–	2,445	–	–	–	–	2,445
Closing balance at 30 June 2022	<u>99,023</u>	<u>37,607</u>	<u>(81,482)</u>	<u>3,318</u>	<u>–</u>	<u>(78,164)</u>	<u>58,466</u>
Previous year							
Opening balance at 1 January 2021 (Restated)	23,525	38,161	(830)	3,318	5	2,493	64,179
Total comprehensive income for the period	–	14,357	–	–	–	–	14,357
Dividend paid (Note 8A)	–	(5,793)	–	–	–	–	(5,793)
Dividend paid former shareholders of subsidiaries (Note 8B)	–	(4,028)	–	–	–	–	(4,028)
Share-based payment	9	–	–	–	(5)	(5)	4
Closing balance at 30 June 2021	<u>23,534</u>	<u>42,697</u>	<u>(830)</u>	<u>3,318</u>	<u>–</u>	<u>2,488</u>	<u>68,719</u>

Note: The comparative figures have been restated due to accounting for acquisition of subsidiaries under common control in 2021 using the pooling interest method (see Note 14).

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

UNION GAS HOLDINGS LIMITED

**Condensed Interim Statements of Changes in Equity (Cont'd)
For the Six-Months Ended 30 June 2022**

	Share capital \$'000	Retained earnings \$'000	Other reserve Share-based payment reserve \$'000	Total equity \$'000
<u>Unaudited</u>				
<u>Company</u>				
Current year				
Opening balance at 1 January 2022	99,023	10,259	–	109,282
Total comprehensive income for the year	–	389	–	389
Closing balance at 30 June 2022	<u>99,023</u>	<u>10,648</u>	<u>–</u>	<u>109,671</u>
Previous year				
Opening balance at 1 January 2021	24,725	11,774	5	36,504
Total comprehensive income for the year	–	143	–	143
Dividends paid	–	(5,793)	–	(5,793)
Share-based payment	9	–	(5)	4
Closing balance at 30 June 2021	<u>24,734</u>	<u>6,124</u>	<u>–</u>	<u>30,858</u>

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

UNION GAS HOLDINGS LIMITED

Condensed Interim Consolidated Statement of Cash Flows For the Six-Months Ended 30 June 2022

	<u>Unaudited</u>	
	30 June <u>2022</u> \$'000	30 June <u>2021</u> \$'000 (Restated)
<u>Cash flows from operating activities</u>		
Profit before income tax	2,969	16,754
Amortisation expenses	489	415
Bad debts written-off	–	4
Depreciation of property, plant and equipment	3,989	4,291
Gain on disposal of a subsidiary	–	(1,590)
Gain on disposal of property, plant and equipment	(288)	(84)
Reversal for impairment on trade and other receivables	(144)	(243)
Reversal for impairment on intangible assets	(40)	–
Reversal of provision for dismantling and removal cost	(130)	–
Interest income	(9)	(31)
Interest expense	326	153
Share-based payments	–	4
Operating cash flows before changes in working capital	<u>7,162</u>	<u>19,673</u>
Inventories	(160)	(122)
Contract costs	299	(143)
Trade and other receivables	(4,550)	(1,376)
Other non-financial assets	(4,423)	(229)
Trade and other payables, and contract liabilities	303	(3,377)
Net cash flows (used in)/from operations	<u>(1,369)</u>	<u>14,426</u>
Income taxes paid	(516)	(2,226)
Net cash flows (used in)/from operating activities	<u>(1,885)</u>	<u>12,200</u>
<u>Cash flows from investing activities</u>		
Acquisitions of financial asset	–	(1,000)
Acquisition of a subsidiary, net of cash acquired (Note 15)	(1,921)	–
Proceeds from disposal of a subsidiary (Note 16)	–	1,590
Proceeds from disposal of property, plant and equipment	374	197
Purchase of property, plant and equipment	(1,191)	(11,871)
Acquisitions of intangible assets	(72)	–
Interest income received	9	31
Net cash flows used in investing activities	<u>(2,801)</u>	<u>(11,053)</u>
<u>Cash flows from financing activities</u>		
Dividend paid	–	(9,821)
Proceeds from bank borrowings	5,000	9,850
Repayment of bank borrowings	(1,892)	(1,718)
Lease liabilities – principal portions paid	(930)	(1,971)
Interest expenses paid	(326)	(153)
Net cash flows from/(used in) financing activities	<u>1,852</u>	<u>(3,813)</u>
Net decrease in cash and cash equivalents	(2,834)	(2,666)
Cash and cash equivalents, beginning balance	<u>14,244</u>	<u>38,662</u>
Cash and cash equivalents, ending balance	<u>11,410</u>	<u>35,996</u>

Note: The comparative figures have been restated due to accounting for acquisition of subsidiaries under common control in 2021 using the pooling interest method (see Note 14).

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

UNION GAS HOLDINGS LIMITED

Notes to the Condensed Interim Financial Statements 30 June 2022

1. General

Union Gas Holdings Limited (the “Company”) is incorporated in Singapore with limited liability. The Company is listed on the Mainboard of the Singapore Exchange Securities Trading Limited.

These condensed interim financial statements cover the Company and its subsidiaries (collectively, the “Group”). All financial information are presented in Singapore Dollar (“\$”) and have been rounded to the nearest thousand (\$’000), unless when otherwise indicated.

The principal activities of the Group are disclosed in Note 4 on segment information.

The registered office and principal place of business of the Company is located at 89 Defu Lane 10, Union Gas House, Singapore 539220.

The latest audited annual financial statements for the reporting year ended 31 December 2021 were not subject to an adverse opinion, qualified opinion or disclaimer of opinion.

The financial information contained in these financial statements has neither been audited nor reviewed by the auditors.

2. Basis of presentation

These condensed interim financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) (“SFRS(I)s”) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. They are also in compliance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB).

The accounting policies and methods of computation applied in these condensed interim financial statements are consistent with those of the latest audited annual financial statements. However, the typical notes and information included in the latest audited annual financial statements are not included in these interim financial statements except for the selected explanatory notes included to explain events and transactions that are significant to an understanding of the changes in the performance and financial position the Group since the latest audited annual financial statements. Accordingly, these financial statements are to be read in conjunction with the Group’s annual financial statements for the reporting year ended 31 December 2021. The Company’s separate financial statements have been prepared on the same basis, and as permitted by SGX Mainboard Rules, the Company’s separate statement of profit or loss and other comprehensive income and statement of cash flows are not presented.

Critical judgements, assumptions and estimation uncertainties

The estimates and assumptions are periodically monitored to ensure they incorporate all relevant information available at the date when condensed interim financial statements are prepared. However, this does not prevent actual figures differing from estimates. The estimates and assumptions adopted in the preparation of these condensed interim financial statements are same as those disclosed in the Group’s annual financial statements for the reporting year ended 31 December 2021.

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2. Basis of presentation (cont'd)

New and amended standards adopted by the Group

A number of amendments to Singapore Financial Reporting Standards (International) have become applicable for the current reporting year. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

3. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the reporting period.

4. Financial information by operating segments

4A. Information about reportable segment profit or loss, assets and liabilities

Disclosure of information about operating segments, products and services, the geographical areas, and the major customers are made as required by the financial reporting standard on operating segments. This disclosure standard has no impact on the reported financial performance or financial position of the Group.

For management purposes, the Group is organised into the following three major operating segments:

- Liquefied petroleum gas ("LPG") – Bottling of LPG, sale and distribution of bottled LPG and LPG-related accessories and provision of LPG-related services to dealers, domestic households, industrial and commercial customers;
- Natural gas ("NG") – Sale and distribution of liquefied natural gas ("LNG") and piped natural gas ("PNG") to commercial customers and retail sale of compressed natural gas ("CNG") through a CNG refilling station located at 50 Old Toh Tuck Road;
- Diesel – Sale and distribution of diesel to commercial customers and to vehicles through a diesel refilling station located at 50 Old Toh Tuck Road; and
- Other operations include provision of corporate services.

The segments are determined by the nature or risks and returns associated with each business segment and this defines the management structure as well as the internal reporting system. It also represents the basis on which management reports the primary segment information.

The management reporting system evaluates performances based on a number of factors. However the primary profitability measurement to evaluate segment's operating results is profit before income tax.

Segment results consist of costs directly attributable to a segment as well as those that can be allocated on a reasonable basis.

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4. Financial information by operating segments (cont'd)

4A. Information about reportable segment profit or loss, assets and liabilities (cont'd)

<u>Group</u>	<u>LPG</u> \$'000	<u>NG</u> \$'000	<u>Diesel</u> \$'000	<u>Others</u> \$'000	<u>Total</u> \$'000
6 months ended <u>30 June 2022</u>					
External revenue	<u>53,319</u>	<u>1,827</u>	<u>13,166</u>	<u>–</u>	<u>68,312</u>
Segment results:					
Profit before income tax	4,018	150	932	(2,131)	2,969
Income tax expense	(385)	(14)	(112)	(13)	(524)
Profit, net of tax	<u>3,633</u>	<u>136</u>	<u>820</u>	<u>(2,144)</u>	<u>2,445</u>
Other segment information:					
Amortisation expense	(489)	–	–	–	(489)
Depreciation of property, plant and equipment	(3,249)	(28)	(310)	(402)	(3,989)
Finance costs	(181)	–	(47)	(98)	(326)
Reversal for impairment on intangible assets	40	–	–	–	40
Reversal of provision for dismantling and removal cost	130	–	–	–	130
Reversal for impairment of trade and other receivables	<u>137</u>	<u>1</u>	<u>6</u>	<u>–</u>	<u>144</u>
Segment assets and liabilities:					
Total assets	<u>96,282</u>	<u>1,634</u>	<u>4,967</u>	<u>28,894</u>	<u>131,777</u>
Total liabilities	<u>47,996</u>	<u>1,879</u>	<u>6,863</u>	<u>16,573</u>	<u>73,311</u>
Additions:					
Property, plant and equipment	(1,550)	(62)	–	(106)	(1,718)
Intangible assets	(72)	–	–	–	(72)
Contract costs	<u>(417)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(417)</u>

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4. Financial information by operating segments (cont'd)

4A. Information about reportable segment profit or loss, assets and liabilities (cont'd)

<u>Group</u>	<u>LPG</u> \$'000	<u>NG</u> \$'000	<u>Diesel</u> \$'000	<u>Others</u> \$'000	<u>Total</u> \$'000
6 months ended 30 June 2021 (Restated)					
External revenue	<u>50,823</u>	<u>1,053</u>	<u>9,325</u>	<u>–</u>	<u>61,201</u>
Segment results:					
Profit before income tax	16,840	142	1,750	(1,978)	16,754
Income tax expense	(2,182)	(22)	(193)	–	(2,397)
Profit, net of tax	<u>14,658</u>	<u>120</u>	<u>1,557</u>	<u>(1,978)</u>	<u>14,357</u>
Other segment information:					
Amortisation expense	(415)	–	–	–	(415)
Depreciation of property, plant and equipment	(3,896)	(25)	(312)	(58)	(4,291)
Finance costs	(117)	–	–	(36)	(153)
Reversal/(allowance) for impairment of trade and other receivables	<u>254</u>	<u>–</u>	<u>(11)</u>	<u>–</u>	<u>243</u>
Segment assets and liabilities:					
Total assets	<u>91,646</u>	<u>1,148</u>	<u>7,081</u>	<u>27,377</u>	<u>127,252</u>
Total liabilities	<u>45,497</u>	<u>845</u>	<u>2,205</u>	<u>9,986</u>	<u>58,533</u>
Additions:					
Property, plant and equipment	(12,243)	–	–	(11,760)	(24,003)
Contract costs	<u>(937)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(937)</u>

4B. Geographical information

Geographical segment is not presented as the business activities of the Group are conducted in Singapore.

4C. Information on major customers

There were no external customers that had contributed more than 10% of the Group's revenue.

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4. Financial information by operating segments (cont'd)

4D. Disaggregation of revenue from contracts with customers

	<u>Group</u>	
	<u>6 months ended</u>	
	30 June	30 June
	<u>2022</u>	<u>2021</u>
	\$'000	\$'000
		(Restated)
Sale of LPG, LPG-related accessories and service	53,319	50,823
Sale of NG	1,827	1,053
Sale of diesel	13,166	9,325
	<u>68,312</u>	<u>61,201</u>

5. Significant related party transactions

	<u>Group</u>	
	<u>6 months ended</u>	
	30 June	30 June
	<u>2022</u>	<u>2021</u>
	\$'000	\$'000
		(Restated)
Sale of LPG	–	489
Service income	–	21
Delivery charges	–	102
Rental expense of premises	64	276
Purchase of electricity	241	160
Marketing expenses	–	102
Sub-contract fee	269	227
	<u>269</u>	<u>227</u>

UNION GAS HOLDINGS LIMITED

6. Profit before taxation

Profit before tax has been arrived at after crediting / (charging) the following:

	30 June <u>2022</u> \$'000	<u>Group</u> 30 June <u>2021</u> \$'000 (Restated)
Reversal for impairment of trade and other receivables	144	243
Reversal for impairment on intangible assets	40	–
Reversal of provision for dismantling and removal cost	130	–
Amortisation expenses	(489)	(415)
Bad debts written-off	–	(4)
Depreciation of property, plant and equipment	(3,989)	(4,291)
Employee benefit expenses	(8,417)	(9,762)
Foreign exchange (losses) / gains, net	(148)	29
Gain on disposal of property, plant and equipment	288	84
Gain on disposal of a subsidiary (Note 16)	–	1,590
Government grant income	603	1,644
Interest expense	(326)	(153)
Interest income	9	31
Rental income from properties	306	327
Other income	190	555
Insurance compensation ⁽¹⁾	–	5,555

⁽¹⁾ This is related to compensation received under insurance policies for damages caused by a fire broke out at one of the Group's LPG bottling and storage facilities in 2019. The Group has since built a new bottling and storage facilities at the same location in 2021.

7. Income tax expense

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated statement of profit or loss are:

	30 June <u>2022</u> \$'000	<u>Group</u> 30 June <u>2021</u> \$'000 (Restated)
Income tax expense	482	1,678
Deferred tax expense	42	719
	<u>524</u>	<u>2,397</u>

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8. Dividends

8A. Dividends declared and paid

	<u>Rate per share</u>			
	<u>30 June</u> <u>2022</u> Cents	<u>30 June</u> <u>2021</u> Cents	<u>30 June</u> <u>2022</u> \$'000	<u>30 June</u> <u>2021</u> \$'000
Final tax exempt (1-tier) dividend in respect of previous reporting year	–	2.53	–	5,793
Declared or paid interim dividend	<u>30 June 2022</u>		<u>30 June 2021</u>	
Name of dividend	Interim tax exempt (1-tier) dividend		Interim tax exempt (1-tier) dividend	
Type	Cash		Cash	
Dividend rate	0.20 Singapore cent		1.00 Singapore cent	
Book closure date	11 October 2022		5 October 2021	
Date payable or paid	<u>21 October 2022</u>		<u>15 October 2021</u>	

8B. Dividends paid to former shareholders of subsidiaries

During the previous reporting year, the dividends amounting of \$4,028,000 were declared by Semgas Supply Pte Ltd to its former shareholders prior to these companies being acquired by the Company.

9. Net assets value

	<u>Group</u>		<u>Company</u>	
	<u>30 June</u> <u>2022</u>	<u>31 December</u> <u>2021</u>	<u>30 June</u> <u>2022</u>	<u>31 December</u> <u>2021</u>
Net assets value per ordinary share (cents)	18.41	17.64	34.53	34.41
Number of ordinary shares used in computation of net asset value per ordinary share ('000)	<u>317,618</u>	<u>317,618</u>	<u>317,618</u>	<u>317,618</u>

10. Property, plant and equipment

During the six months ended 30 June 2022, the Group acquired assets amounting to \$1,718,000 (31 December 2021: \$38,428,000) and disposed of assets amounting to \$509,000 (31 December 2021: \$1,291,000).

UNION GAS HOLDINGS LIMITED

11. Share capital

	No. of shares <u>issued</u> '000	<u>Share capital</u> \$'000
<u>Group</u>		
At 1 January 2021	224,396	23,525
Shares issued under Union Gas PSP ⁽¹⁾	39	9
Placement of treasury shares ⁽²⁾	4,533	1,200
Shares issued for acquisition of subsidiaries (Note 14)	88,650	74,289
At 31 December 2021 and 30 June 2022	<u>317,618</u>	<u>99,023</u>
	No. of shares <u>issued</u> '000	<u>Share capital</u> \$'000
<u>Company</u>		
Ordinary shares of no par value:		
At 1 January 2021	228,929	24,725
Shares issued under Union Gas PSP ⁽¹⁾	39	9
Shares issued for acquisition of subsidiaries (Note 14)	88,650	74,289
At 31 December 2021 and 30 June 2022	<u>317,618</u>	<u>99,023</u>

(1) On 7 June 2021, the Company allotted and issued 38,612 Shares being the 3rd and final tranche awarded to the vesting of the share awards granted, under the Company's PSP on 6 June 2019.

(2) Excluded 4,533,434 shares in the capital of the Company held by Semgas Supply Pte. Ltd., which was acquired by the Company on 30 December 2021. These shares have been reclassified as treasury shares in the consolidated financial statements and their carrying values as at 31 December 2020 are \$1,200,000. The treasury shares were placed out in the open market in financial year 2021 prior to the completion of the Acquisition and a gain on disposal of \$3,152,000 is included in merger reserve (Note 14).

The ordinary shares of no par value are fully paid, carry one vote each and have no right to fixed income.

There were no outstanding convertibles, treasury shares or subsidiary holdings held by the Company as at 30 June 2022 and 30 June 2021, except as disclosed above.

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12. Borrowings and debt securities

	<u>Group</u>		<u>Company</u>	
	30 June <u>2022</u> \$'000	31 December <u>2021</u> \$'000	30 June <u>2022</u> \$'000	31 December <u>2021</u> \$'000
<u>Repayable within one year</u>				
Secured	1,263	1,254	522	520
Unsecured	8,312	3,280	395	391
Sub-total	<u>9,575</u>	<u>4,534</u>	<u>917</u>	<u>911</u>
<u>Repayable after one year</u>				
Secured	7,552	8,186	7,232	7,495
Unsecured	11,382	13,046	1,122	1,320
Sub-total	<u>18,934</u>	<u>21,232</u>	<u>8,354</u>	<u>8,815</u>
Total borrowings	<u>28,509</u>	<u>25,766</u>	<u>9,271</u>	<u>9,726</u>

The Group's and the Company's total borrowings and debts securities exclude the carrying amounts of lease liabilities related to right-of-use assets of \$10,246,000 (31 December 2021: \$10,708,000) and \$6,278,000 (31 December 2021: \$6,367,000) respectively. The borrowings are secured by charges over the leased property, plant and equipment of the Group and corporate guarantees from the Company.

13. Capital commitments

Estimated amounts committed at end of reporting period for future capital expenditure but not recognised in the financial statements are as follows:

	<u>Group</u>	
	30 June <u>2022</u> \$'000	31 December <u>2021</u> \$'000
Commitments for purchase of property, plant and equipment	<u>707</u>	<u>1,073</u>

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14. Acquisition of subsidiaries from a related party

On 24 August 2021, the Company entered into a sale and purchase agreement with Union Energy Corporation Pte. Ltd. (the "UEC") to acquire the entire issued and paid-up share capital of Sembas Asia (Trading) Pte. Ltd., Summit Gas Systems Pte. Ltd., and Semgas Supply Pte. Ltd. (the "Target Group") for a consideration of \$73,400,000, comprising 88,649,905 new ordinary shares in the capital of the Company and cash of \$12,400,000 (the "Acquisition"). The fair value of these new shares measured and recorded on acquisition date in accordance with relevant financial reporting standard was \$74,289,000. The Acquisition was completed on 30 December 2021, following which the Target Group became wholly-owned subsidiaries of the Company.

Prior to the Acquisition, the Target Group was controlled by a common controlling shareholder, Mr. Teo Kiang Ang. The Acquisition is, therefore, considered to be a business combination involving entities under common control. The Group accounted for the Acquisition using the pooling of interests method in accordance with its accounting policies as follows:

- Assets, liabilities, reserves, revenue and expenses of the combined business or entities are reflected at their existing amounts;
- The excess or deficiency of amount recorded as share capital issued (plus any additional consideration in the form of cash or other assets) over the amount recorded for the share capital acquired is to be adjusted to the merger reserve;
- The retained earnings recognised in the consolidated financial statements are the retained earnings of the combining entities or businesses immediately before the combination;
- No additional goodwill is recognised as a result of the combination; and
- The statement of comprehensive income reflects the results of the combining entities or businesses for the full reporting year, irrespective of when the combination took place. Comparatives are presented as if the entities or businesses had always been combined since the date the entities or businesses had come under common control.

Although the Acquisition occurred during the reporting year ended 31 December 2021, the consolidated financial statements present the financial position and financial performance as if the Target Group had always been combined since the beginning of the earliest period presented.

Total consideration was as follows:

	<u>2021</u> \$'000
Cash consideration	12,400
88,649,905 new shares measured at the fair value on acquisition date at \$0.8380 per share	74,289
Less: Adjustment for shortfall in net working capital and net debt in Target Group	<u>(2,885)</u>
	<u>83,804</u>

Merger reserve recognised as a result of the Acquisition is as follows:

Total consideration	83,804
Share capital acquired	(10,170)
Gain on disposal of treasury shares	<u>(3,152)</u>
	<u>70,482</u>

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15. Acquisition of a subsidiary from external party

On 31 March 2022, the Company acquired 100% of the issued and paid up share capital of Nguan Huat L P Gas Supplier Pte. Ltd. ("Nguan Huat"), a company incorporated in Singapore, for a consideration of \$2,259,700. Nguan Huat is principally engaged in those of retail sale of LPG and related wholesale markets and storage of LPG products. The rationale for the acquisition is for the expansion of the group's LPG distribution business and to enhance the Group's competitiveness.

16. Disposal of a subsidiary

Before the Acquisition disclosed in Note 14 above, Sembas Asia (Trading) Pte. Ltd. held the entire issued and paid-up share capital of UE Land Pte. Ltd., a company incorporated in Singapore. On 31 March 2021, the investment was sold to UEC for a cash consideration of \$1,590,000 and gain on disposal of investment in subsidiary is recognised in other income and gains.

17. Review of performance of the Group

Review of the Group's performance

Revenue

Revenue increased by \$7.11 million or 11.6% from \$61.20 million for the half year ended 30 June 2021 ("HY2021") to \$68.31 million for the half year ended 30 June 2022 ("HY2022"), due to an increase revenue from liquefied petroleum gas ("LPG") business, natural gas ("NG") business and diesel ("Diesel") business.

LPG Business

Revenue from the LPG business increased by \$2.50 million or 4.9% from \$50.82 million in HY2021 to \$53.32 million in HY2022, mainly due to higher sales of industrial and commercial customers.

NG Business

Revenue from the NG business increased by \$0.78 million or 74.3% from \$1.05 million in HY2021 to \$1.83 million in HY2022, mainly due to an increase in volume of new NG business.

Diesel Business

Revenue from the Diesel business increased by \$3.84 million or 41.2% from \$9.33 million in HY2021 to \$13.17 million in HY2022, mainly due to increase in selling price arising from an increase in fuel prices.

Cost of sales

Cost of sales increased by \$14.36 million or 39.7% from \$36.20 million in HY2021 to \$50.56 million in HY2022, mainly due to the increase in direct material cost arising from higher international fuel price in HY2022.

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17. Review of performance of the Group (cont'd)

Gross profit

Gross profit decreased by \$7.24 million or 29.0% from \$25.00 million in HY2021 to \$17.76 million in HY2022 as a result of higher direct material cost arising from LPG, NG and Diesel businesses.

Other income and gains

Other income and gains decreased by \$8.33 million or 82.2% from \$10.13 million in HY2021 to \$1.80 million in HY2022, mainly due to the absence of one-off gain on disposal of subsidiary, one-off insurance claim received and Jobs Support Scheme pay-outs.

Marketing and Distribution Costs

Marketing and distribution costs decreased by \$0.44 million or 4.2% from \$10.64 million in HY2021 to \$10.20 million in HY2022 mainly due to lower advertising costs and personnel costs.

Administrative expenses

Administrative expense decreased by \$1.66 million or 21.9% from \$7.58 million in HY2021 to \$5.92 million in HY2022 mainly due to reduce in costs including rental of premises, repair and maintenance and personnel costs.

Income tax expense

Income tax expense decreased by \$1.88 million or 78.1% from \$2.40 million in HY2021 to \$0.52 million in HY2022 mainly due to lower profit before tax.

Profit after tax

As a result of the above, profit after tax decreased by \$11.91 million or 83.0% from \$14.36 million in HY2021 to \$2.45 million in HY2022.

Review of the Group's Financial Position

Non-current assets

Non-current assets increased by \$1.56 million or 1.9% from \$80.42 million as at 31 December 2021 to \$81.98 million as at 30 June 2022. The increase was mainly due to increase in other non-financial assets, offset by lower carrying value of property, plant and equipment as a result of depreciation.

Current assets

Current assets increased by \$3.13 million or 6.7% from \$46.67 million as at 31 December 2021 to \$49.80 million as at 30 June 2022. The increase was mainly due to increase in other non-financial assets and trade and other receivables.

Non-current liabilities

Non-current liabilities decreased by \$2.43 million or 6.9% from \$35.26 million as at 31 December 2021 to \$32.83 million as at 30 June 2022. The decrease was mainly due to repayment of bank borrowings and lease liabilities.

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17. Review of performance of the Group (cont'd)

Review of the Group's Financial Position (cont'd)

Current liabilities

Current liabilities increased by \$4.67 million or 13.0% from \$35.81 million as at 31 December 2021 to \$40.48 million as at 30 June 2022. This was mainly due to increase in bank borrowings.

Equity attributable to owners of the Company

The increase in equity by \$2.45 million or 4.4% from \$56.02 million as at 31 December 2021 to \$58.47 million as at 30 June 2022 was due to net profit in HY2022.

Review of the Group's Cash Flows

In HY2022, net cash flow used in operating activities amounted to \$1.89 million. Operating cash flows from operations before changes in working capital of \$7.16 million was decreased by net working capital outflows of \$8.53 million and taxes paid of \$0.52 million.

Net cash flows used in investing activities amounted to \$2.80 million were mainly due to: (i) acquisition of a subsidiary of \$1.92 million and (ii) purchase of property, plant and equipment of \$1.19 million. These were partially offset by proceeds from disposal of property, plant and equipment of \$0.37 million.

Net cash flows generated from financing activities amounted to \$1.85 million in HY2022, mainly due to proceeds from bank borrowings of \$5.00 million. This was partially offset by repayment of bank borrowings and lease liabilities of \$2.82 million and interest payment of \$0.33 million.

18. Forecast, or a prospect statement

Not applicable.

19. Significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group the next operating period and the next 12 months

Union Gas believes that its industry prospects remain positive due to the essential nature of its business and the potential to further exploit opportunities within the LPG supply chain of which the Group has full control of procurement of LPG to bottling, to storage, distribution, wholesaling and retailing. Such opportunities include the possibilities of extending the distribution of bottled LPG cylinders beyond its current retail customers into the wholesale space and also to expand its services to include bottling, refilling and storage of LPG cylinders to non-affiliated entities.

The Group is mindful of external factors that may impact its business costs and performance, including geopolitical tensions and inflation. It will continue to monitor such situations closely will implement the necessary measures to protect its bottom line, including increasing the prices of its energy products.

Meanwhile, Union Gas remains on the lookout for further diversification and strategic opportunities to expand into complementary businesses both locally and overseas

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20. Interested person transactions

No IPT mandate has been obtained at the Annual General Meeting held on 28 April 2022.

The aggregate value of all interested person transactions for HY2022 were as follows:

Name of Interested Person	Aggregate value of all interested person transactions (excluding transaction of less than \$100,000 each and transactions conducted under Shareholders' Mandate pursuant to Rule 920 of the Mainboard Rules) during HY2022 \$'000	Aggregate value of all interested person transactions (including transaction of less than \$100,000 each) during HY2022 under Shareholders' Mandate pursuant to Rule 920 of the Mainboard Rules \$'000
Purchase of electricity by the Group from Mandated Interested Persons	129	112
Provision of labour service by Mandated Interest Person to the Group	269	–

21. Confirmation of directors and executive officers' undertakings pursuant to Listing Rule 720(1) ((in the format set out in Appendix 7.7) under Rule 720(1))

The Company confirms that it has procured undertakings from all its directors and executive officers in compliance with Rule 720(1).

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22. Use of Proceeds

The Company raised gross proceeds from the IPO of approximately S\$7.50 million (the "Gross Proceeds"). As at the date of this announcement, the Gross Proceeds have been utilised and reallocated as per the Company's announcement on 3 August 2018 ("Re-Allocation") as follows:

Use of Proceeds	Allocation of Proceeds as re-allocated on 3 August 2018 ("Re-Allocation") \$'000	Proceeds utilised as at 6 April 2022 \$'000	Proceeds utilised from 6 April 2022 to the date of this announcement \$'000	Balance of Proceeds as at the date of this announcement \$'000
Acquisition of dealers for the Retail LPG Business	4,143	(3,598)	(221)	324
Diversification into the supply and retail of piped natural gas to customers in the services and manufacturing industries in Singapore	1,000	–	–	1,000
General working capital	724	(674)	(50)	–
Listing expenses	1,633	(1,633)	–	–
	<u>7,500</u>	<u>(5,905)</u>	<u>(271)</u>	<u>1,324</u>

Details of working capital used:

Professional fees (auditors, investor relations consultancy and company secretary)

\$'000

50

The above uses of Gross Proceeds are in accordance with the intended use as stated in the Company's offer document dated 13 July 2017 and the Re-Allocation.

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23. Confirmation by the board

On behalf of the directors of the Company, we, the undersigned directors, do hereby confirm that, to the best of their knowledge, nothing has come to the attention of the board of directors that may render the interim financial statements to be false or misleading in any material aspect.

On behalf of the board of directors

Teo Hark Piang
Executive Director and Chief Executive Officer

Loo Hock Leong
Lead Independent Director

Singapore
12 August 2022