



UNION STEEL HOLDINGS LIMITED

友联钢铁控股有限公司

UNION STEEL HOLDINGS LIMITED
(Company Registration No. 200410181W)
(Incorporated in the Republic of Singapore)

RESPONSE TO QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON THE ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

The Board of Directors (the “**Board**”) of Union Steel Holdings Limited (the “**Company**”) refers to the Annual Report for the financial year ended 30 June 2014 (“**Annual Report 2014**”). In this regard, the Board would like to respond to the following queries raised by the Singapore Exchange Securities Trading Limited dated 23 October 2014 (“**SGX Query**”) as follows:

SGX Query 1

On page 23 of the Annual Report 2014, the Chief Executive Officer (“**CEO**”) and Group Financial Controller have assured the Board that:

- (1) The financial records have been properly maintained and the financial statements for the financial year ended 30 June 2014; and
- (2) The Group risk management and internal controls systems are operating effectively in all material aspects given its current business environment.

Guideline 11.3 of the Code of Corporate Governance 2012 (the “**Code**”) states, *inter alia*, that the Board should comment in the Company’s Annual Report on whether it has received assurance from the CEO and the Chief Financial Officer:-

- (a) that the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and
- (b) regarding the effectiveness of the company's risk management and internal control systems.

As required under Listing Rule 710, please make disclosures as recommended in the Code or otherwise explain the reason(s) for the deviation.

Company’s Response to SGX Query 1

The Company wishes to clarify that the CEO and the Group Financial Controller have assured the Board that:

1. The financial records have been properly maintained and the financial statements for the financial year ended 30 June 2014 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 effectively in all material aspects given its current business environment.

SGX Query 2

On page 38 of the Annual Report 2014, there are variances in the Consolidated Statement of Cash Flows in the Company's Full Year Results Announcement and its audited accounts.

Please disclose the variances in the SGXNet announcement and provide explanations for the variances.

Company's Response to SGX Query 2

The Board wishes to clarify certain material differences* between the audited financial results of the Group for FY2014 (the "**FY2014 Audited Results**") and the announced unaudited financial results for the financial year ended 30 June 2014 (the "**FY2014 Unaudited Results**"). The differences and the explanation thereto are provided below:

| | FY2014 Unaudited Results 30 June 2014 S\$'000 A | FY2014 Audited Results 30 June 2014 S\$'000 B | Difference | | Explanation |
|---|--|--|----------------------|----------|-------------|
| | | | S\$'000 C = B – A | % C/A | |
| Items under Consolidated Statement of Comprehensive Income: | | | | | |
| Net cash (used in)/generated from operating activities | 2,369 | (1,084) | (3,453) | (146)% | Note A |
| Net cash (used in) investing activities | (8,471) | (4,876) | 3,595 | (43)% | Note A |

*: Material differences refer to differences that are 10% or more

The following note provides the explanation for the material differences shown above:

Note A

The main differences were due to the re-classification of inventories transfer to fixed assets in the cash flow statement.

By Order of the Board

Ang Yu Seng

Chairman and Chief Executive Officer
23 October 2014