

UNION STEEL HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number 200410181W)

MATERIAL VARIANCES BETWEEN AUDITED FINANCIAL RESULTS AND UNAUDITED FINANCIAL RESULTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

The Board of Directors (the “**Board**”) of Union Steel Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the announcement in relation to the unaudited results for the financial year ended 30 June 2015 (“**FY2015**”) dated 26 August 2015 (the “**FY2015 Unaudited Results**”).

With reference to Rule 704(6) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Board wishes to clarify certain differences between the audited financial results of the Group for FY2015 (the “**FY2015 Audited**”) and the FY2015 Unaudited results, which may be considered material*. The differences and the explanation thereto are provided below:

Statement of Comprehensive Income for the full year ended 30 June 2015						
			GROUP			
			Audited	Unaudited		
			FY 2015	FY 2015	Changes	Note
			S\$'000	S\$'000	%	
Revenue			133,918	133,695	0.2	
Cost of sales			(123,236)	(122,774)	0.4	
Gross profit			10,682	10,921	(2.2)	
Other income			6,341	6,975	(9.1)	1
Distribution and marketing expenses			(2,294)	(2,292)	0.1	
Administrative expenses			(9,254)	(9,977)	(7.2)	2
Other operating expenses			(13,575)	(13,154)	3.2	
(Loss)/Profit from operations			(8,100)	(7,527)	7.6	
Finance expenses			(990)	(989)	0.1	
(Loss)/ Profit before income tax			(9,090)	(8,516)	6.7	
Income tax credit/(expense)			679	972	(30.1)	3
(Loss)/Profit for the period			(8,411)	(7,544)	11.5	
Other comprehensive income						
Currency translation gain/(loss) arising from consolidation			(715)	140	n.m.	4
Total comprehensive income			(9,126)	(7,404)	23.3	
Net (loss)/profit attributable to:						
Equity holders of the Company			(8,411)	(7,544)	11.5	
Non-controlling interest			-	-	n.m.	
			(8,411)	(7,544)	11.5	
Total comprehensive income attributable to:						
Equity holders of the Company			(9,126)	(7,404)	n.m.	
Non-controlling interest			-	-	n.m.	
			(9,126)	(7,404)	23.3	
*nm denotes not meaningful						

*nm denotes not meaningful

Explanation of material variances:

1. The decrease in other income amounting to \$0.6m is mainly to the restatement of the reversal of an accruals in FY2014 instead of FY2015.
2. The reduction in administrative expenses amounting to \$0.7m is mainly due to the reclassification of depreciation amounting to \$0.6m to Cost of Goods Sold.
3. The reduction in tax credit of \$0.3m is mainly due to the reversal of tax credit of the subsidiaries.
4. Translation gain/(loss) arising from consolidation changes as a result of recognising a translation losses from intercompany loan.

Statement of Financial Position							
				Group			
				Audited	Unaudited		
				30 Jun 15	30 Jun 15	Changes	Note
				S\$'000	S\$'000	%	
ASSETS							
<u>Current assets</u>							
Cash and cash equivalents				31,194	31,301	(0.3)	
Trade and other receivables				17,587	17,477	0.6	
Amount owing by subsidiaries				-	-	n.m.	
Inventories				30,800	29,467	4.5	1
Total current assets				79,581	78,245	1.7	
<u>Non-current assets</u>							
Intangible assets				12,693	12,693	0.0	
Property, plant and equipment				41,084	41,171	(0.2)	
Investments in subsidiaries				-	-	n.m.	
Investment property				11,812	11,813	(0.0)	
Golf club membership				159	159	0.0	
Financial assets, available-for-sale				-	-	n.m.	
Deferred income tax assets				-	1,534	(100.0)	2
Total non-current assets				65,748	67,370		
Total assets				145,329	145,615	(0.2)	
LIABILITIES							
<u>Current liabilities</u>							
Trade and other payables				10,469	8,649	21.0	3
Bank loans and bills payable				39,516	39,538	(0.1)	
Amount owing to subsidiaries				-	-	n.m.	
Finance lease liabilities				70	70	0.0	
Current income tax liabilities				392	773	(49.3)	4
Total current liabilities				50,447	49,030	2.9	
<u>Non-current liabilities</u>							
Bank loans				10,012	10,011	0.0	
Finance lease liabilities				137	138	(0.7)	
Deferred income tax liabilities				4,104	4,966	(17.4)	5
Total non-current liabilities				14,253	15,115	(5.7)	
Total liabilities				64,700	64,145	0.9	
NET ASSETS				80,629	81,470	(1.0)	
EQUITY							
Capital and reserves attributable to equity holders of the Company							
Share capital				36,603	36,603	0.0	
Retained earnings/ (Accumulated losses)				39,517	44,740	(11.7)	
Capital reserve				5,237	-	n.m.	6
Translation reserve				(728)	127	n.m.	
				80,629	81,470	(1.0)	
Non-controlling interest				-	-	n.m.	
TOTAL EQUITY				80,629	81,470	(1.0)	

Explanation of material variances:

1. The increase in inventories amounting to \$1.3m stock is mainly due to reversal of over provision in inventories and adjustment in purchases as at year end.
2. The reduction in deferred income tax was offset against deferred tax liabilities.
3. The increase in trade and other payables amounting to \$1.8m is mainly due to the adjustments of purchases as at year end.
4. The reduction in current tax liabilities amounting to \$0.4m is due to the reversal of provision of additional tax payable for prior years.
5. The reduction in deferred tax liabilities amounting to \$0.9m is due to the reversal of tax credit and offsetting of deferred tax asset.
6. The Capital reserve arise due to step-up acquisitions of the equity interest in Hock Ann Metal Scaffolding Pte. Ltd..

Statement of Financial Position							
				Company			
				Audited	Unaudited		
				30 Jun 15	30 Jun 15	Changes	Note
				S\$'000	S\$'000	%	
ASSETS							
<u>Current assets</u>							
Cash and cash equivalents				1,618	1,618	(0.0)	
Trade and other receivables				7,481	7,481	0.0	
Total current assets				9,099	9,099	(0.0)	
<u>Non-current assets</u>							
Property, plant and equipment				204	204	(0.1)	
Investments in subsidiaries				38,801	38,801	0.0	
Golf club membership				159	159	0.0	
Total non-current assets				39,164	39,164		
Total assets				48,263	48,263	(0.0)	
LIABILITIES							
<u>Current liabilities</u>							
Trade and other payables				6,622	10,622	(37.7)	1
Bank loans and bills payable				4,184	4,184	0.0	
Current income tax liabilities				5	5	0.0	
Total current liabilities				10,811	14,811	(27.0)	
<u>Non-current liabilities</u>							
Bank loans				5,372	5,372	0.0	
Deferred income tax liabilities				34	27	25.9	
Total non-current liabilities				5,406	5,399	0.1	
Total liabilities				16,217	20,210	(19.8)	
NET ASSETS				32,046	28,053	14.2	
EQUITY							
Capital and reserves attributable to equity holders of the Company							
Share capital				36,603	36,603	0.0	
Retained earnings/ (Accumulated losses)				(4,557)	(8,550)	(46.7)	2
TOTAL EQUITY				32,046	28,053	14.2	

Explanation of material variances:

1. The reduction in trade and other payables is mainly due to offsetting of dividend payable of \$4m from subsidiaries.
2. The reduction in accumulated losses is due to the declaration of dividend amounting to \$4m from the subsidiaries.

Consolidated Statement of Cash Flows for the full year ended 30 June 2015									
						Group			
						Full Year Ended			
						Audited	Unaudited		
						30 Jun 2015	30 Jun 2015	Changes	Note
						S\$'000	S\$'000	%	
CASH FLOWS FROM OPERATING ACTIVITIES									
(Loss)/Profit before income tax						(9,090)	(8,516)	6.7	
Adjustments for:									
	Depreciation of property, plant and equipment					5,469	5,032	8.7	1
	Gain on disposal of property, plant and equipment					(356)	(76)	368.4	
	Fair value loss/(gain) on investment property					875	875	0.0	
	Amortisation of intangible assets					589	588	0.2	
	Allowance for doubtful debts					493	493	0.0	
	Allowance for inventory writedown					6,470	6,707	(3.5)	
	Property, plant and equipment written off					911	650	40.2	2
	Interest expense					990	989	0.1	
	Interest income					(54)	(54)	0.0	
OPERATING CASH FLOWS BEFORE WORKING CAPITAL CHANGES						6,297	6,688	(5.8)	
	Trade and other receivables					5,558	5,848	(5.0)	
	Inventories					4,267	6,889	(38.1)	3
	Trade and other payables					2,180	(692)	n.m.	4
CASH GENERATED FROM OPERATIONS						18,302	18,733	(2.3)	
	Income tax paid					(603)	(601)	0.3	
	Interest paid					(990)	(989)	0.1	
	Interest received					54	54	0.0	
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES						16,763	17,197	(2.5)	
CASH FLOWS FROM INVESTING ACTIVITIES									
	Purchase of property, plant and equipment					(4,953)	(5,577)	(11.2)	5
	Proceeds from disposal of property, plant and equipment					396	299	32.4	
NET CASH USED IN INVESTING ACTIVITIES						(4,557)	(5,278)	(13.7)	
CASH FLOWS FROM FINANCING ACTIVITIES									
	Proceeds from bank loans					-	-		
	Repayment of bank loans					(9,212)	(8,406)	9.6	6
	(Decrease)/Increase in bills payable					(4,799)	(4,798)	0.0	
	Dividends paid					(1,181)	(1,181)	0.0	
	Repayment of finance lease liabilities					(70)	(70)	0.0	
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES						(15,262)	(14,455)	5.6	
Net (decrease)/increase in cash and cash equivalents						(3,056)	(2,536)	20.5	
Cash and cash equivalents at beginning of the financial year						33,697	33,697	0.0	
Effect of exchange rate changes on cash & cash equivalent						553	140	295.0	
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR						31,194	31,301	(0.3)	

Explanation of material variances:

1. The increase in depreciation amounting to \$0.4m is mainly due to additional depreciation charge for the year.
2. The increase in assets written off of \$0.3m is mainly due to the loss of certain property, plant and equipment.
3. The reduction in cash inflow of inventories amounting to \$2.6m is mainly due to the transfer of inventories to property, plant and equipment and increase in inventories as at year end.
4. The cash inflow of trade and other payables amounting to \$2.1m is mainly due to the adjustments of purchases as at year end.
5. The reduction in cash outflow for purchases of property, plant and equipment amounting to \$0.6m is mainly due to the transfer of inventories to property, plant and equipment.
6. The increase in cash outflow for repayment of loan is mainly due to exchange losses arising from overseas subsidiary.

*Material differences refer to differences that are more than 10% or significant in nature.

BY ORDER OF THE BOARD

Ang Yu Seng
Executive Chairman and Chief Executive Officer
22 October 2015