



**GSH CORPORATION LIMITED**

(Incorporated in the Republic of Singapore)

Registration No. 200106139K

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**RESPONSE TO SGX'S QUERIES ON THE ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

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The Board of Directors of GSH Corporation Limited ("**Company**") refers to the queries raised by the Singapore Exchange Securities Trading Limited ("SGX-ST") on 22 April 2019 and are pleased to respond as follows:

**(1) SGX-ST's Query:**

Listing Rule 715(2) states that an issuer must engage a suitable auditing firm for its significant foreign-incorporated subsidiaries and associated companies.

Page 112 of the annual report provides that an auditor has yet to be appointed for GSH (Xi'an) Property Development Co. Ltd. In this regard, please clarify whether and how the Company has complied with Listing Rule 715(2).

Company's Response:

GSH (Xi'an) Property Development Co. Ltd ("GXPD") is a new company which was incorporated in the PRC, on 10 January 2018 and has not yet commenced business since incorporation. As at 31 December 2018, GXPD remains a dormant company and is not a significant foreign-incorporated subsidiary.

**(2) SGX-ST's Query:**

With reference to the audited consolidated statement of cash flows on pages 68 and 69 of the Company's Annual Report 2018, please provide an explanation for the material differences in the amounts of the following items, as compared to the unaudited financial results announcement of the Company for the financial year ended 31 December 2018:-

- i. The net cash from operating activities of approximately \$3,471,000 as compared to the amount of \$2,469,000; and
- ii. The net cash from financing activities of approximately \$57,688,000 as compared to the amount of \$59,537,000.

Company's Response:

The net cash from operating and financing activities in the audited consolidated statement of cash flows ("ACS"), as compared to the unaudited financial results announcement ("UFR"), for the financial year ended 31 December 2018, are as follow:

	<b>As per UFR \$'000</b>	<b>As per ACS \$'000</b>	<b>Differences \$'000</b>
Net cash from operating activities	2,469	3,471	1,002
Net cash from financing activities	59,537	57,688	(1,849)

The differences are mainly due to the reclassification upon audit, of the following items between operating, investing and financing activities:

- (i) Interest expenses of \$1,744,000 included in operating activities, was reclassified to financing activities, resulting in an increase in cash flow from operating activities and a corresponding decrease in cash flow from financing activities;

- (ii) Dividend income of \$1,172,000 included in operating activities, was reclassified to investing activities, resulting in a decrease in cash flow from operating activities and a corresponding increase in cash flow from investing activities; and
- (iii) Acquisition of property, plant and equipment of \$344,000 included in operating activities, was reclassified to investing activities, resulting in an increase in cash flow from operating activities and a corresponding decrease in cash flow from investing activities.

The remaining differences of \$86,000 for the Net cash from operating activities and \$105,000 for the Net cash from financing activities, relate to minor reclassifications between operating, investing and financing activities, of the cash flows.

The above reclassifications were inadvertently omitted in the unaudited financial results announcement and subsequently reclassified in the audited consolidated statement of cash flow.

### **(3) SGX-ST's Query:**

Guideline 11.3 of the Code of Corporate Governance 2012 (the "Code") states that the Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems, in the company's Annual Report. The Board's commentary should include information needed by stakeholders to make an informed assessment of the company's internal control and risk management systems. The Board should also comment in the company's Annual Report on whether it has received assurance from the CEO and the CFO:

- (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 disclosure as recommended in the Code; in particular, the Board's comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems.

### **Company's Response:**

Further to the comments made in the Corporate Governance Report found in page 42 of the Company's Annual Report 2018, the Company wishes to add that:

"Based on the reports from the internal auditors, external auditors and the various management controls put in place, the Board, with the concurrence of the ARC, is of the opinion that the Company's internal controls (including financial, operational, compliance and information technology controls) and risk management systems, are adequate and effective."

On behalf of the Board

Gilbert Ee Guan Hui  
CEO / Executive Director  
24 April 2019