

**HUPSteel Limited**  
**3QFY18 FINANCIAL STATEMENT (UNAUDITED)**

**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3),  
 HALF-YEAR AND FULL-YEAR RESULTS**

**1(a) Group income statement and comparative statement for the corresponding period of the  
 immediately preceding financial year**

The following figures have not been audited.

	GROUP (S\$'000)					
	3Q FY 18	3Q FY 17	% + / (-)	1.7.17 - 31.3.18	1.7.16 - 31.3.17	% + / (-)
Revenue	18,914	11,486	65%	41,996	35,624	18%
Changes in inventories	1,814	(2,435)	NM	(1,489)	(4,666)	-68%
Purchases of inventories	(16,431)	(5,823)	182%	(29,955)	(21,182)	41%
Gross profit	4,297	3,228	33%	10,552	9,776	8%
Other (losses)/gains	(195)	(198)	-2%	2,120	(334)	NM
Other operating income	103	351	-71%	789	1,006	-22%
Staff cost	(1,891)	(1,395)	36%	(5,203)	(5,121)	2%
Depreciation	(471)	(501)	-6%	(1,442)	(1,505)	-4%
Other operating expenses	(885)	(1,238)	-29%	(3,258)	(3,251)	0%
Finance cost - net	-	3	NM	-	(29)	NM
Profit before tax	958	250	283%	3,558	542	556%
Income tax expense	(200)	(7)	NM	(214)	(5)	NM
<b>Total profit</b>	<b>758</b>	<b>243</b>	<b>212%</b>	<b>3,344</b>	<b>537</b>	<b>523%</b>
<b>Other comprehensive income :</b>						
Currency translation differences arising from consolidation	397	(28)	NM	479	(164)	NM
Available-for-sale financial assets						
- Fair value (losses)/gains	(612)	97	NM	(667)	438	NM
- Reclassification	(76)	30	NM	8	52	-85%
<b>Total comprehensive income</b>	<b>467</b>	<b>342</b>	<b>37%</b>	<b>3,164</b>	<b>863</b>	<b>267%</b>
Profit attributable to Equity holders of the Company	758	243	212%	3,344	537	523%
Total comprehensive income attributable to Equity holders of the Company	467	342	37%	3,164	863	267%
Earnings per share based on profit attributable to equity shareholders:						
- Basic (cent)	0.62	0.20		2.74	0.44	
- Diluted (cent)	0.62	0.20		2.74	0.44	

NM : not meaningful

**Profit attributable to shareholders is arrived at after charging the following:**

	GROUP (S\$'000)			
	3Q FY18	3Q FY17	1.7.17 - 31.3.18	1.7.16 - 31.3.17
Dividend income	81	42	245	156
Interest income	164	286	449	771
Reclassification from other comprehensive income on disposal of available-for-sale financial assets	76	(30)	(8)	(52)
Gain on disposal of investment property	-	-	4,515	-
Investment property written off <i>(Fixed assets W/O due to re- development of an investment property)</i>	-	-	(2,185)	-
Loss on disposal of property, plant and equipment	(5)	-	(5)	-
Foreign exchange loss	(271)	(168)	(202)	(282)
Finance cost-net is made up of :				
Interest expense	*	*	*	(1)
Foreign exchange gain/(loss) arising from borrowings	-	3	-	(28)
Provision for slow moving stocks	(300)	-	(300)	-
Bad debts recovered	-	5	-	28
Reversal of allowance/(Allowance) for trade receivables	561	(83)	726	435

Note \* : Amounts less than S\$1,000

**1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.**

	<b>GROUP</b>		<b>COMPANY</b>	
	31.03.2018 \$'000	30.06.2017 \$'000	31.03.2018 \$'000	30.06.2017 \$'000
<b>Current Assets</b>				
Cash and cash equivalents	48,438	52,555	9,344	13,337
Trade and other receivables	20,380	16,447	6,454	5,671
Inventories	26,537	28,026	11,471	13,354
Other current assets	236	193	110	87
Tax recoverable	-	54	-	-
Derivative financial instruments	-	108	-	108
Due from subsidiaries	-	-	7,211	5,678
	<u>95,591</u>	<u>97,383</u>	<u>34,590</u>	<u>38,235</u>
Non-current asset classified as held-for-sale	-	650	-	650
	<u>95,591</u>	<u>98,033</u>	<u>34,590</u>	<u>38,885</u>
<b>Non-Current Assets</b>				
Available-for-sale financial assets	20,758	20,827	20,758	20,827
Investment in subsidiaries	-	-	9,457	9,457
Loan to a subsidiary	-	-	29,441	29,369
Property, plant and equipment	19,383	20,207	89	114
Investment properties	32,079	33,690	27,474	26,868
	<u>72,220</u>	<u>74,724</u>	<u>87,219</u>	<u>86,635</u>
<b>Total Assets</b>	<b>167,811</b>	<b>172,757</b>	<b>121,809</b>	<b>125,520</b>
<b>Current Liabilities</b>				
Trade and other payables	3,867	6,476	1,607	3,868
Current income tax liabilities	176	-	-	-
Due to a subsidiary	-	-	1,153	1,177
Provision for directors' retirement gratuity	89	56	89	56
Borrowings	261	140	261	140
Dividend payable	-	-	-	-
	<u>4,393</u>	<u>6,672</u>	<u>3,110</u>	<u>5,241</u>
<b>Non-Current Liabilities</b>				
Deferred income tax liabilities	239	239	-	-
Provision for directors' retirement gratuity	-	598	-	598
	<u>239</u>	<u>837</u>	<u>-</u>	<u>598</u>
<b>Total Liabilities</b>	<b>4,632</b>	<b>7,509</b>	<b>3,110</b>	<b>5,839</b>
<b>Net Assets</b>	<b>163,179</b>	<b>165,248</b>	<b>118,699</b>	<b>119,681</b>
<b>Share capital and reserves</b>				
Share capital	107,485	107,485	107,485	107,485
Treasury shares	(3,389)	(3,038)	(3,389)	(3,038)
Capital reserves	(477)	(477)	1,430	1,430
Currency translation reserves	(1,222)	(1,701)	-	-
Fair value reserves	(145)	514	(145)	514
Retained profits	60,927	62,465	13,318	13,290
	<u>163,179</u>	<u>165,248</u>	<u>118,699</u>	<u>119,681</u>

**1(b)(ii) Aggregate amount of group's borrowings and debt securities**

**Amount repayable in one year or less, or on demand (S\$'000)**

As at 31.03.2018		As at 30.6.2017	
Secured	Unsecured	Secured	Unsecured
-	261	-	140

**Amount repayable after one year (S\$'000)**

As at 31.03.2018		As at 30.6.2017	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

**Details of any collateral**

The unsecured group borrowings consist of trust receipts of the Group arising from the ordinary course of business and bank borrowings. Certain Group borrowings are covered by corporate guarantee from the Company.

**1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year**

	<b>Group (S\$'000)</b>			
	3Q FY18	3Q FY17	1.7.17 - 31.3.18	1.7.16 - 31.3.17
<b>Cash flow from operating activities</b>				
Total profit	758	243	3,344	537
Adjustments for:				
- Income tax expense	200	7	214	5
- Property, plant and equipment and investment properties				
- Depreciation	471	501	1,442	1,505
- Loss/(Gain) on disposal	5	-	(4,510)	-
- Written off	-	-	2,185	-
- Available-for-sale financial assets				
- Reclassification from other comprehensive income on disposal	(76)	30	8	52
- Impairment	-	-	-	-
- Interest income	(164)	(286)	(449)	(771)
- Interest expense	-	-	-	1
- Dividend income	(81)	(42)	(245)	(156)
	<b>1,113</b>	<b>453</b>	<b>1,989</b>	<b>1,173</b>
Change in working capital				
- Trade and other receivables	(6,340)	(226)	(3,825)	767
- Inventories	(1,814)	2,435	1,489	4,666
- Other current assets	(151)	(32)	(43)	110
- Trade and other payables	695	(1,787)	(2,609)	(3,917)
- Provision for director retirement gratuity	(583)	3	(565)	20
Cash (used in)/generated from operations	(7,080)	846	(3,564)	2,819
Income taxes refunded/(paid)	33	(3)	16	23
Interest received	164	286	449	771
<b>Net cash (used in)/provided by operating activities</b>	<b>(6,883)</b>	<b>1,129</b>	<b>(3,099)</b>	<b>3,613</b>
<b>Cash flows from investing activities</b>				
Property, plant & equipment :				
- Purchases	(103)	(80)	(1,198)	(114)
- Proceeds from disposal	1	-	5,166	-
Financial assets, available-for-sale				
- Purchases	(500)	(2,217)	(9,028)	(4,861)
- Proceeds from disposal	304	2,338	8,430	5,025
Dividends received	81	42	245	156
<b>Net cash (used in)/provided by investing activities</b>	<b>(217)</b>	<b>83</b>	<b>3,615</b>	<b>206</b>
<b>Cash flows from financing activities</b>				
Purchase of treasury shares	-	-	(351)	(298)
Proceeds from trust receipts	1,858	600	3,703	4,308
Repayment of trust receipts	(1,860)	(565)	(3,582)	(4,722)
Dividend paid to shareholders	(2,441)	-	(4,882)	(1,228)
Interest paid	*	*	*	(1)
<b>Net cash (used in)/provided by financing activities</b>	<b>(2,443)</b>	<b>35</b>	<b>(5,112)</b>	<b>(1,941)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(9,543)</b>	<b>1,247</b>	<b>(4,596)</b>	<b>1,878</b>
Cash and cash equivalents at beginning of the financial period	57,584	54,109	52,555	53,614
Effects of currency translation on cash and cash equivalents	397	(28)	479	(164)
<b>Cash and cash equivalents at end of the financial period</b>	<b>48,438</b>	<b>55,328</b>	<b>48,438</b>	<b>55,328</b>

Note \*: Amounts less than S\$1,000

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

	Share Capital	Treasury shares	Capital Reserves	Currency Translation Reserves	Fair Value Reserves	Retained Profits	Total Equity
<b>Group</b>	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 1 July 2017	107,485	(3,038)	(477)	(1,701)	514	62,465	165,248
Purchase of treasury shares	-	(351)	-	-	-	-	(351)
Dividend paid	-	-	-	-	-	(4,882)	(4,882)
Total comprehensive income/(loss)	-	-	-	479	(659)	3,344	3,164
<b>At 31 March 2018</b>	<b>107,485</b>	<b>(3,389)</b>	<b>(477)</b>	<b>(1,222)</b>	<b>(145)</b>	<b>60,927</b>	<b>163,179</b>
<b>Group</b>							
At 1 July 2016	107,485	(2,498)	(477)	(1,577)	19	62,973	165,925
Purchase of treasury shares	-	(298)	-	-	-	-	(298)
Dividend paid	-	-	-	-	-	(1,228)	(1,228)
Total comprehensive (loss)/income	-	-	-	(164)	490	537	863
<b>At 31 March 2017</b>	<b>107,485</b>	<b>(2,796)</b>	<b>(477)</b>	<b>(1,741)</b>	<b>509</b>	<b>62,282</b>	<b>165,262</b>

	Share Capital	Treasury shares	Capital Reserves	Currency Translation Reserves	Fair Value Reserves	Retained Profits	Total Equity
<b>Company</b>	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 1 July 2017	107,485	(3,038)	1,430	-	514	13,290	119,681
Purchase of treasury shares	-	(351)	-	-	-	-	(351)
Dividend paid	-	-	-	-	-	(4,882)	(4,882)
Total comprehensive (loss)/income	-	-	-	-	(659)	4,910	4,251
<b>At 31 March 2018</b>	<b>107,485</b>	<b>(3,389)</b>	<b>1,430</b>	<b>-</b>	<b>(145)</b>	<b>13,318</b>	<b>118,699</b>
<b>Company</b>							
At 1 July 2016	107,485	(2,498)	1,430	-	19	15,440	121,876
Purchase of treasury shares	-	(298)	-	-	-	-	(298)
Dividend paid	-	-	-	-	-	(1,228)	(1,228)
Total comprehensive income/(loss)	-	-	-	-	490	(274)	216
<b>At 31 March 2017</b>	<b>107,485</b>	<b>(2,796)</b>	<b>1,430</b>	<b>-</b>	<b>509</b>	<b>13,938</b>	<b>120,566</b>

**1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the corresponding period immediately preceding financial year.**

Treasury Shares	No. of shares	\$'000
Balance as at 30 Jun 2017	2,988,600	3,038
Purchases	441,100	351
Balance as at 31 Mar 2018	3,429,100	3,389

**(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	31.03.18	30.06.17
Number of shares in issue excluding treasury shares	122,045,014	122,486,114

**(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the end of the current financial period reported on.**

None of the above occurred since the end of the previous period reported on.

**(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

There are no subsidiary holdings.

**2. Whether the figures have been audited, or reviewed and in accordance with which standard or practice.**

The figures have not been audited or reviewed.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)**

Not applicable as the figures have not been audited nor reviewed.

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied**

The same accounting policies and methods of computation as in the most recently audited financial statements.

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change**

Not applicable.

**6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends**

	GROUP			
	3 months ended 31.03.18	3 months ended 31.03.17 (note 1)	9 months ended 31.03.18 (note 1)	9 months ended 31.03.17 (note 1)
Earnings/(Loss) per share based on profit attributable to equity shareholders:				
(a) Basic (cent)	0.62	0.20	2.74	0.44
(b) Diluted (cent)	0.62	0.20	2.74	0.44

*Note 1 : The basic and diluted earnings per share is calculated based on the weighted average number of ordinary shares of 122,169,674 (31.03.17: 122,945,950) in issue during the period.*

**7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year**

	GROUP		COMPANY	
	31.03.18	30.06.17	31.03.18	30.06.17
Net Asset Value per ordinary share (cents)	133.70	134.91	97.26	97.71

*The net asset value per ordinary share is calculated based on the number of ordinary shares in issue of 122,045,014 at the end of the period (30.06.17: 122,486,114).*

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-  
 (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and  
 (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

**REVIEW OF OPERATING PERFORMANCE FOR THE QUARTER ENDED 31 MARCH 2018 ("3QFY18")**

**Revenue and Gross profit**

	S\$'000				
	3QFY18	2QFY18	3QFY17	9MFY18	9MFY17
<b>Revenue</b>	18,914	10,277	11,486	41,996	35,624
<b>Gross Profit</b>	4,297	3,116	3,228	10,552	9,776
<b>GP %</b>	22.7%	30.3%	28.1%	25.1%	27.4%

Revenue for 3QFY18 improved by 84% to S\$18.9M from S\$10.3M reported for 2QFY18. The higher turnover was mainly due to increase in project sales following pick up in customers' activities after the December and Chinese New Year holidays. The Group also recorded better revenue when compared with 3QFY17 revenue of S\$11.5M. When comparing year-on-year, there was an 18% growth from S\$35.6M for 9MFY17 to S\$42.0M for 9MFY18.

For 3QFY18, the Group registered a gross profit margin of 22.7% which was lower than 30.3% and 28.1% reported for 2QFY18 & 3QFY17 respectively. The reduction in gross profit margin was partly due to project sales, higher material costs arising from stronger US dollar and intense competition faced by the Group during the period. The Group's gross profit for 9MFY18 of S\$10.6M was higher than S\$9.8M reported for 9MFY17. However, gross profit margin dipped slightly from 27.4% in 9MFY17 to 25.1% in 9MFY18 as there were more project sales during this period.

Gross profit for 3QFY18 increased from S\$3.2M (3QFY17) to S\$4.3M due mainly to improved sales volume albeit with lower gross profit margin.

**Other losses**

Other losses for 3QFY18 was S\$195K as compared to other losses of S\$198K in 3QFY17. These comprised foreign exchange losses of S\$271K (3QFY17: S\$168K) and a gain on disposal of available-for-sale financial assets of S\$76K (3QFY17: S\$30K loss).

**Other operating income**

Other operating income for 3QFY18 was S\$103K lower than S\$351K for 3QFY17 due to early redemption of interest bearing instruments in the preceding two quarters resulting in lower interest income earned.

**Staff cost, Depreciation, Other operating expenses, Finance cost and Income tax**

Staff cost for 3QFY18 of S\$1.9M was higher than S\$1.4M reported for 3QFY17 as the Group made higher provision for staff incentives in tandem with the increased revenue.

Depreciation recorded in 3QFY18 decreased to S\$471K from S\$501K for 3QFY17 as some fixed assets had been fully depreciated.



Other operating expenses decreased to S\$0.9M for 3QFY18, when compared with S\$1.2M for 3QFY17. Included in the other operating expenses was a write-back of allowance for doubtful trade receivables amounting to S\$561K (3QFY17: S\$83K allowance made).

The Group incurred negligible finance cost in 3QFY18 (3QFY17: S\$3K in exchange gain arising from borrowings and insignificant interest expenses). The Group pays off its debts as and when they fall due so as to minimise finance cost.

Despite the Group having unutilised tax losses, it recognised a tax expense of S\$200K in 3QFY18 (3QFY17: S\$7K) for profits earned in a foreign tax jurisdiction.

### **Profit attributable to equity holders of the Company**

The Group reported a net profit of S\$758K for 3QFY18, which is an improvement from net profit of S\$243K reported for 3QFY17. For 9MFY18, the Group also reported a net profit after tax of S\$3.3M compared with a net profit of S\$0.5M for 9MFY17.

## **REVIEW OF FINANCIAL POSITION AS AT 31 MARCH 2018**

### **Non current assets**

As at the end of 3QFY18, the Group had available-for-sale financial assets amounting to S\$20.8M (4QFY17: \$20.8M) as it continued to fine-tune the composition of its portfolio in respond to market changes.

Investment property decreased by S\$1.6M from S\$33.7M as at 4QFY17 to S\$32.1M as at 3QFY18. The decrease was mainly due to the write-off of the investment property at 38 Genting Lane with carrying amount of S\$2.2M offset by additions of leasehold improvements for investment property at 6 Kim Chuan Drive.

### **Current assets and current liabilities**

Trade and other receivables increased to S\$20.4M from S\$16.4M (4QFY17) as a result of higher sales during the period.

The Group reported lower inventory balance of S\$26.5M in 3QFY18 compared with S\$28.0M in 4QFY17 as it continued to sell from its inventory holding.

Trade and other payables decreased from S\$6.5M (4QFY17) to S\$3.9M, as the Group utilised its cash and cash equivalents to pay down its liabilities as they fell due.

Borrowings increased to S\$261K from S\$140K (4QFY17) as the Group utilised bank facilities to purchase its inventories.

The Group continued to post a healthy level of current ratio of 21.8 times (4QFY17: 14.7 times) and was in a net cash position for the quarter.

### **Share capital and reserves**

Fair value reserves stood at S\$145K, debit balance, as at 3QFY18 (4QFY17: S\$514K credit balance) due to a depreciation in the market values of the Group's available-for-sale financial assets.

### **Cash Flow**

During the quarter, the Group incurred a net cash outflow of S\$6.9M from its operations (3QFY17: S\$1.1M inflow), S\$0.2M from its investing activities (3QFY17: S\$0.1M inflow) and S\$2.4M from its

financing activities (3QFY17: S\$35K inflow). These resulted in a net decrease of S\$9.5M ((3QFY17: S\$1.2M increase) in cash and cash equivalents.

The Group maintained a healthy level of cash holding of S\$48.4M as at 3QFY18. This cash holding will provide the Group with a ready source of fund for its working capital requirements.

**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results**

No forecast or a prospect statement has been previously disclosed to shareholders.

**10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months**

The increase in revenue in 3QFY18 was a welcome relief to the sluggish sales of the preceding quarters and was due to pick up in project sales of pipe & fitting products to the oil & gas sector. The higher sales were made possible mainly due to recovery in oil prices in the recent months.

Recent reports on tariffs to be imposed on steel products and the possible trade war between US and China are causing economic uncertainties and would affect demand in the market. Expected increases in US interest rates and stronger US dollar will also push material costs higher, thereby depressing margins.

These macro-economic events are not conducive to the recovery in demand for steel products. Group revenue is expected to reflect any fresh developments in the global markets.

Since the beginning of 2018, the Group has successfully leased out its property at 6 Kim Chuan Drive which will contribute to the performance of the Group for the year ending 30 June 2018. It had recently also announced the re-development of another property at 38 Genting Lane but this is not expected to make any contribution to the Group performance for the current financial year.

**11. Dividend**

**(a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on? No.

**(b) Corresponding Period of the Immediately Preceding Financial Year**

Any dividend declared for the corresponding period of the immediately preceding financial year?

NA.

**(c) Date payable**

NA.

**(d) Books closure date**

NA.

**12. If no dividend has been declared/recommended, a statement to that effect**

NA.

**13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

There was no IPT transaction for the quarter and the Group does not have any general mandate from shareholders pursuant to Rule 920.

**14. Negative confirmation pursuant to Rule 705(5).**

The Board of Directors of the Company hereby confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited consolidated financial results for the quarter ended 31 March 2018 to be false or misleading in any material aspect.

**15. Confirmation that the issuer has procured undertakings from all its directors and executive officers pursuant to Rule 720(1) of the SGX Listing Manual.**

The Company confirms that it has procured undertakings from all its Directors and Executive Officers (in the format set out in Appendix 7.7) pursuant to Rule 720 (1) of the SGX Listing Manual.

**BY ORDER OF THE BOARD**

Tan Ching Chek  
Company Secretary  
10 May 2018