

HUPSteel Limited
HALF-YEAR 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 (\$'000)					
	2Q FY17	2Q FY16	% + / (-)	1H FY17	1H FY16	% + / (-)
Revenue	12,107	16,603	-27%	24,138	31,923	-24%
Changes in inventories*	576	(1,075)	NM	(2,231)	(11,834)	-81%
Purchases of inventories	(9,308)	(12,334)	-25%	(15,359)	(18,944)	-19%
Gross profit	3,375	3,194	6%	6,548	1,145	472%
Other (losses)/gains - net	(15)	87	NM	(136)	(963)	-86%
Other operating income	332	338	-2%	655	736	-11%
Staff cost	(1,862)	(1,975)	-6%	(3,726)	(3,885)	-4%
Depreciation	(503)	(512)	-2%	(1,004)	(952)	5%
Other operating expenses	(832)	(1,384)	-40%	(2,013)	(2,519)	-20%
Finance cost - net	(20)	(16)	25%	(32)	(17)	88%
Profit/(Loss) before tax	475	(268)	NM	292	(6,455)	NM
Income tax (expense)/credit	(7)	20	NM	2	(15)	NM
Total profit/(loss)	468	(248)	NM	294	(6,470)	NM
Other comprehensive income/(loss) :						
Currency translation differences arising from consolidation	190	(149)	NM	136	(469)	NM
Available-for-sale financial assets						
- Fair value (losses)/gains	(624)	209	NM	(341)	(385)	-11%
- Reclassification	(48)	(43)	12%	22	42	-48%
Total comprehensive (loss)/income	(14)	(231)	-94%	111	(7,282)	NM
Profit/(Loss) attributable to Equity holders of the Company	468	(248)	NM	294	(6,470)	NM
Total comprehensive (loss)/income attributable to Equity holders of the Company	(14)	(231)	-94%	111	(7,282)	NM
Earnings/(Loss) per share based on (loss)/profit attributable to equity shareholders:						
- Basic (cent) - see section 6	0.38	(0.20)		0.24	(5.25)	
- Diluted (cent) - see section 6	0.38	(0.20)		0.24	(5.25)	

Note - *: Included provision for inventory write-down of \$5.2M for 1QFY16

NM : not meaningful

Profit/(loss) attributable to shareholders is arrived at after (charging)/crediting the following:

	GROUP (\$'000)			
	2Q FY17	2Q FY16	1H FY17	1H FY16
Dividend income	67	41	114	89
Interest income	241	248	485	516
Reclassification from other comprehensive income on disposal of available-for-sale financial assets	48	43	(22)	54
Impairment of available-for-sale financial assets	-	-	-	(96)
Foreign exchange (loss)/gain	(63)	44	(114)	(921)
Finance cost-net is made up of :				
Interest expense	(1)	-	(1)	(1)
Foreign exchange loss arising from borrowings	(19)	(16)	(31)	(16)
Provision for slow moving stocks	-	(32)	-	(5,239)
Reversal of allowance for trade receivables	403	-	518	-
Bad debts recovered	15	34	23	57

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

	GROUP		COMPANY	
	31.12.2016 \$'000	30.06.2016 \$'000	31.12.2016 \$'000	30.06.2016 \$'000
Current Assets				
Cash and cash equivalents	54,109	53,614	12,691	15,821
Trade and other receivables	13,042	13,936	4,502	4,659
Inventories	27,397	29,628	13,251	14,559
Other current assets	262	404	141	202
Tax recoverable	28	52	-	-
Derivative financial instruments	-	99	-	99
Due from subsidiaries	-	-	6,602	5,683
	94,838	97,733	37,187	41,023
Non-Current Assets				
Available-for-sale financial assets	20,612	20,312	20,612	20,312
Investment in club membership	34	36	-	-
Investment in subsidiaries	-	-	9,457	9,457
Loan to a subsidiary	-	-	29,302	29,041
Property, plant and equipment	20,833	21,529	118	140
Investment properties	34,613	34,887	27,747	27,975
Deferred income tax assets	15	15	-	-
Other receivables	-	-	-	-
	76,107	76,779	87,236	86,925
Total Assets	170,945	174,512	124,423	127,948
Current Liabilities				
Trade and other payables	5,053	7,183	2,074	3,711
Due to a subsidiary	-	-	1,153	1,154
Provision for directors' retirement gratuity	50	50	50	50
Borrowings	135	584	135	584
	5,238	7,817	3,412	5,499
Non-Current Liability				
Deferred income tax liabilities	197	197	-	-
Provision for directors' retirement gratuity	590	573	590	573
	787	770	590	573
Total Liabilities	6,025	8,587	4,002	6,072
Net Assets	164,920	165,925	120,421	121,876
Share capital and reserves				
Share capital	107,485	107,485	107,485	107,485
Treasury shares	(2,796)	(2,498)	(2,796)	(2,498)
Capital reserves	(477)	(477)	1,430	1,430
Currency translation reserves	(1,713)	(1,577)	-	-
Fair value reserves	382	19	382	19
Retained profits	62,039	62,973	13,920	15,440
	164,920	165,925	120,421	121,876

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

Amount repayable in one year or less, or on demand ('000)

As at 31.12.2016		As at 30.6.2016	
Secured	Unsecured	Secured	Unsecured
-	135	-	584

Amount repayable after one year ('000)

As at 31.12.2016		As at 30.6.2016	
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

	Group (S\$'000)			
	2Q FY17	2Q FY16	1H FY17	1H FY16
Cash flow from operating activities				
Total profit/(loss)	468	(248)	294	(6,470)
Adjustments for:				
- Income tax expense/(credit)	7	(20)	(2)	15
- Property, plant and equipment and investment properties				
- Depreciation	503	512	1,004	952
- Available-for-sale financial assets				
- Reclassification from other comprehensive income on disposal	(48)	(43)	22	(54)
- Impairment	-	-	-	96
- Interest income	(241)	(248)	(485)	(516)
- Interest expense	1	-	1	1
- Dividend income	(67)	(41)	(114)	(89)
	623	(88)	720	(6,065)
Change in working capital				
- Trade and other receivables	1,764	259	993	2,655
- Inventories	(576)	1,075	2,231	11,834
- Other current assets	(8)	40	142	(62)
- Trade and other payables	498	(340)	(2,130)	(1,343)
- Provision for director retirement gratuity	5	101	17	113
Cash generated from operations	2,306	1,047	1,973	7,132
Income tax (paid)/refund	(6)	13	26	18
Interest received	241	248	485	516
Net cash provided by operating activities	2,541	1,308	2,484	7,666
Cash flows from investing activities				
Property, plant & equipment and investment properties				
- Purchases	(22)	(21)	(34)	(1,120)
Available-for-sale financial assets				
- Purchases	(379)	(297)	(2,644)	(782)
- Proceeds from disposal	1,893	585	2,687	935
Dividends received	67	41	114	89
Net cash provided by/(used in) investing activities	1,559	308	123	(878)
Cash flows from financing activities				
Purchase of treasury shares	-	-	(298)	-
Proceeds from trust receipts	2,113	1,698	3,708	2,669
Repayment of trust receipts	(2,156)	(1,386)	(4,157)	(2,765)
Dividend paid to shareholders	(1,228)	(617)	(1,228)	(617)
Interest paid	(1)	-	(1)	(1)
Net cash used in financing activities	(1,272)	(305)	(1,976)	(714)
Net increase in cash and cash equivalents	2,828	1,311	631	6,074
Cash and cash equivalents at beginning of the financial period	51,363	48,731	53,614	44,279
Effects of currency translation on cash and cash equivalents	(82)	(158)	(136)	(469)
Cash and cash equivalents at end of the financial period	54,109	49,884	54,109	49,884

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
Group	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2016	107,485	(2,498)	(477)	(1,577)	19	62,973	165,925
Purchase of treasury shares	-	(298)	-	-	-	-	(298)
Total comprehensive (loss)/income for 1 st quarter	-	-	-	(54)	353	(174)	(125)
At 30 September 2016	107,485	(2,796)	(477)	(1,631)	372	62,799	165,752
Dividend paid	-	-	-	-	-	(1,228)	(1,228)
Total comprehensive (loss)/income for 2 nd quarter	-	-	-	(82)	10	468	396
At 31 December 2016	107,485	(2,796)	(477)	(1,713)	382	62,039	164,920
Group							
At 1 July 2015	107,485	(2,498)	(477)	(1,301)	132	82,684	186,025
Total comprehensive loss for 1 st quarter	-	-	-	(320)	(509)	(6,222)	(7,051)
At 30 September 2015	107,485	(2,498)	(477)	(1,621)	(377)	76,462	178,974
Dividend paid	-	-	-	-	-	(617)	(617)
Total comprehensive (loss)/income for 2 nd quarter	-	-	-	(149)	166	(248)	(231)
At 31 December 2015	107,485	(2,498)	(477)	(1,770)	(211)	75,597	178,126

	Share Capital	Treasury Shares	Capital Reserves	Currency Translation Reserves	Fair Value Reserves	Retained Profits	Total Equity
Company	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2016	107,485	(2,498)	1,430	-	19	15,440	121,876
Purchase of treasury shares	-	(298)	-	-	-	-	(298)
Total comprehensive income/(loss) for 1 st quarter	-	-	-	-	353	(306)	47
At 30 September 2016	107,485	(2,796)	1,430	-	372	15,134	121,625
Dividend paid	-	-	-	-	-	(1,228)	(1,228)
Total comprehensive income for 2 nd quarter	-	-	-	-	10	14	24
At 31 December 2016	107,485	(2,796)	1,430	-	382	13,920	120,421
Company							
At 1 July 2015	107,485	(2,498)	1,430	-	132	22,189	128,738
Total comprehensive (loss)/income for 1 st quarter	-	-	-	-	(509)	34	(475)
At 30 September 2015	107,485	(2,498)	1,430	-	(377)	22,223	128,263
Dividend paid	-	-	-	-	-	(617)	(617)
Total comprehensive income/(loss) for 2 nd quarter	-	-	-	-	166	(584)	(418)
At 31 December 2015	107,485	(2,498)	1,430	-	(211)	21,022	127,228

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 well as the number of shares held as treasury shares, if any, 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.

Treasury Shares	No. of shares	\$'000
Balance as at 30 Jun 2016	2,118,600	2,498
Purchases	527,500	298
Balance as at 31 Dec 2016	2,646,100	2,796

(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.

	31.12.16	30.06.16
Number of shares in issue excluding treasury shares	122,828,014	123,355,514

(iv) A statement showing all sales, transfers, disposal, 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 has occurred since the end of the previous period reported on.

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

The figures have not been audited nor 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 have been applied.

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 31.12.16 (note 1)	3 months ended 31.12.15 (note1)	6 months ended 31.12.16 (note 1)	6 months ended 31.12.15 (note1)
Earnings/(loss) per share based on profit attributable to equity shareholders:				
(a) Basic (cent)	0.38	(0.20)	0.24	(5.25)
(b) Diluted (cent)	0.38	(0.20)	0.24	(5.25)

Note 1 : The basic & diluted earnings per share is calculated based on the weighted average number of ordinary shares of 123,003,636 (1HFY16:123,355,514) in issue during the period. As the Group completed a share consolidation of 5 shares to 1 share on 8th January 2016, the basic & diluted earnings per share for 1HFY16 was re-stated based on weighted average number of ordinary shares of 123,355,514 after taking into consideration of the effect of the share consolidation exercise.

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	
	31.12.16	30.06.16	31.12.16	30.06.16
Net Asset Value per ordinary share (cents)	134.27	134.51	98.04	98.80

The net asset value per ordinary share is calculated based on the number of ordinary shares in issue of 122,828,014 at the end of the period (30.06.16: 123,355,514).

- 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**

Revenue and margin

	\$'000				
	2QFY17	1QFY17	2QFY16	1HFY17	1HFY16
Revenue	12,107	12,031	16,603	24,138	31,923
Gross Profit	3,375	3,173	3,194	6,548	1,145
GP %	27.9%	26.4%	19.2%	27.1%	3.6%

The Group reported a revenue of \$12.1M for 2QFY17 which was similar to that for 1QFY17. However, year-on-year quarterly revenue fell by 27% when compared with 2QFY16 revenue of \$16.6M. This could mainly be attributed to the slowdown in the marine, oil and gas sectors.

Revenue for 1HFY17 declined 24% to \$24.1M when compared with 1HFY16 revenue of \$31.9M as a result of continuing slow demand for steel products caused by the downturn in the marine, oil and gas sectors. These customers received fewer new orders and low oil prices had further suppressed activities.

Gross profit for 2QFY17 of \$3.4M was marginally higher than \$3.2M reported for 2QFY16 partly due to sales of written down stocks in the quarter. The gross profit for 1HFY17 of \$6.5M was significantly higher than \$1.1M reported for 1HFY16 due to a write-down of inventory of \$5.2M in 1HFY16 which was accounted as part of the cost of goods sold.

Gross profit margin for the quarter improved to 27.9% (1QFY17: 26.4%) from 19.2% in 2QFY16 mainly due to sales of stocks whose values were written down in the previous quarters. The Group also reported higher gross profit margin of 27.1% in 1HFY17 as compared with 3.6% for 1HFY16 which was affected by the write-down of inventory value mentioned above.

Other gains/(losses)

Other losses for 2QFY17 was \$15K as compared to other gains of \$87K in 2QFY16. These comprised a foreign exchange loss of \$63K (2QFY16: \$44K gain) and a gain on disposal of available-for-sale financial assets of \$48K (2QFY16 : \$43K). Other losses for 1HFY17 of \$136K (1HFY16: \$963K) were mainly made up of foreign exchange losses.

Other operating income

There was a slight decrease of other operating income for 2QFY17 of \$332K as compared to last year's corresponding quarter of \$338K. This was mainly due to lower interest income earned in the reporting quarter.

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

Staff cost fell to \$1.9M in 2QFY17 from \$2.0M reported for 2QFY16 with the Group beginning to match its headcount in response to lower sales volume by not replacing positions left vacant.

Depreciation decreased from \$512K in 2QFY16 to \$503K in 2QFY17 as some fixed assets had been fully depreciated.

The other operating expenses decreased to \$0.8M (2QFY17) from \$1.4M (2QFY16) mainly due to lower sales volume and reversal of allowance made for doubtful trade receivables of \$403K recognised previously.

Finance cost-net in 2QFY17 was made up of exchange loss of \$19K (2QFY16: \$16K) arising from borrowings and interest expense of \$1K (2QFY16: Nil).

Although the Group had tax losses brought forward from previous years, it had to recognise a tax expense of \$7K in 2QFY17 due to tax provision arising from an overseas tax jurisdiction.

Profit attributable to equity holders of the Company

The Group registered a net profit of \$468K for 2QFY17, turning around from net loss of \$248K reported for 2QFY16.

REVIEW OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

Non current assets

As at the end of 2QFY17, the Group had available-for-sale financial assets amounting to \$20.6M (4QFY16: \$20.3M).

Current assets and current liabilities

During the period, trade and other receivables fell to \$13.0M from \$13.9M (4QFY16) in tandem with the decreased turnover and continued effort on collecting debts.

Inventories decreased to \$27.4M from \$29.6M (4QFY16) as the Group continued to sell from its inventory holding and exercise caution in inventory replenishment.

Trade and other payables declined significantly to \$5.1M from \$7.2M (4QFY16) as the Group purchased fewer inventories during the period and utilised its cash reserves to pay down its liabilities as they fell due.

Borrowings as at 1HFY17 and 4QFY16 amounted to \$135K and \$584K respectively were bank facilities utilised for the purchase of inventory.

The Group continued to post a healthy level of current ratio of 18.1 times (4QFY16: 12.5 times).

Share capital and reserves

Fair value reserves stands at \$382K as at 2QFY17 (4QFY16: \$19K) due to higher market value of the Group's available-for-sale financial assets.

Cash flow

During the quarter, the Group generated positive cash inflow of \$2.5M (2QFY16: \$1.3M) from its operations and \$1.6M (2QFY16: \$0.3M) from its investing activities and a net cash outflow from financing activities of \$1.3M (2QFY16: \$0.3M). These had resulted in an increase of \$2.8M (2QFY16: \$1.3M) in cash & cash equivalents.

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

Demand for structural steel products, pipes and fittings is expected to remain soft as global economies have not shown stronger signs of growth and uncertainties arising from the new administration in the United States.

Oil prices have stabilised at a level that hardly encourage greater oil exploration activities. Recent developments in the local oil & gas sector may indicate a little more time is needed to resolve financing issues & over capacity faced by these companies.

The Group will implement cost cutting measures to keep its operation lean while actively seeking new revenue streams.

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? No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

Not applicable.

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 December 2016 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 February 2017