HUPSteel

STRENGTHENING OUR CORE
GROWING OUR BUSINESS

ANNUAL REPORT 2016



TABLE OF CONTENTS

01 VISION, MISSION AND VALUES

04 FINANCIAL HIGHLIGHTS

08 CHAIRMAN'S MESSAGE

10 OPERATION REVIEW

16 BOARD OF DIRECTORS

18 KEY MANAGEMENT

20 CORPORATE INFORMATION

21 CORPORATE GOVERNANCE

34 DIRECTORS' STATEMENT

37 INDEPENDENT AUDITOR'S REPORT

38 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

39 BALANCE SHEETS

40 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

41 CONSOLIDATED STATEMENT OF CASH FLOWS

42 NOTES TO THE FINANCIAL STATEMENTS

93 STATISTICS OF SHAREHOLDINGS

95 NOTICE OF ANNUAL GENERAL MEETING

PROXY FORM





VISION

To Be The Preferred Global Total Solution Provider For Steel Products And Services

MISSION

HARNESS our Resources for Sustainable Growth and Profit UNDERSTAND and provide value-added services to meet customer's needs PURSUE Organization and People Excellence

VALUES

SERVICE

- We seek to provide quality service that "goes the extra mile" to all internal and external customers, suppliers and colleagues.
- We will do this by establishing a relationship based on mutual respect, trust and integrity.
- This will lead to service that is prompt, efficient, friendly, trustworthy and solutions-based.

TEAMWORK

- We will strive to achieve our shared vision by living our shared values and aligning ourselves towards our common goals.
- We will show respect for all individuals through mutual trust, open communication and motivation.
- We will be enthusiastic and supportive of each other as we strive to attain inter- dependence and co-operation.

ENTERPRISING

- We will seize challenging business opportunities that would put us ahead of our competitors.
- We will be proactive and innovative market leaders by taking the initiative to be different and not being afraid to break the status quo.
- We will be visionary in our outlook and persevering in our united efforts.

EXCELLENCE

- We will strive to be excellent and professional in our product knowledge and duties.
- We will take personal responsibility and accountability for our partners and customers to ensure quality products and reliable service to them.
- We believe in developing our people to their maximum potential so that they are enabled and equipped to provide total solutions.

LIFELONG LEARNING

- We will grow with the right heart, mind and skillsets to achieve personal and organizational success.
- We will equip through mentoring, coaching, training and development to create a culture of continuous learning and enthusiastic sharing of experiences.
- We believe in relevant and applied knowledge as the foundations to building leadership quality.

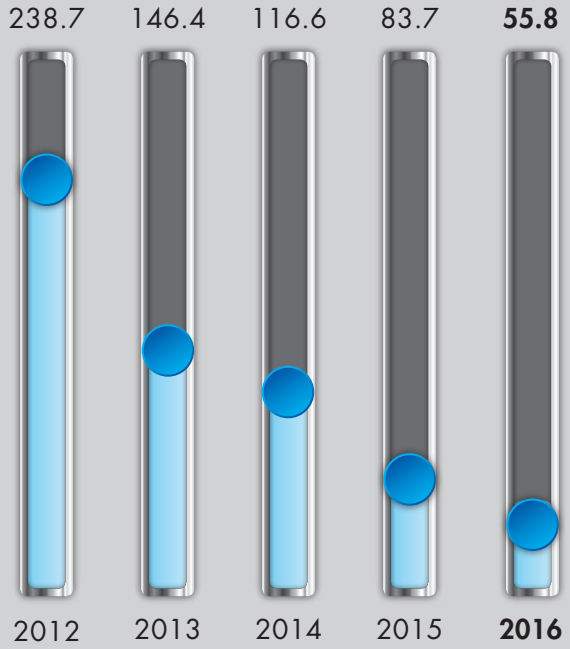


REINFORGING
OUR PLEDGE TO QUALITY

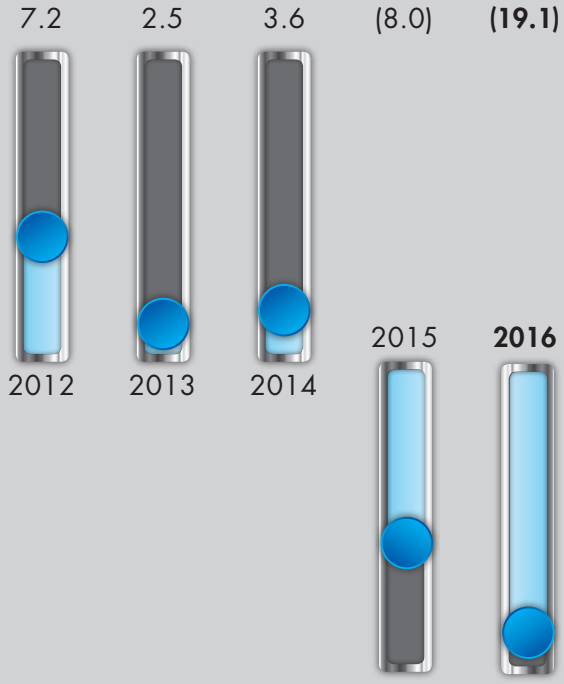


FINANCIAL HIGHLIGHTS

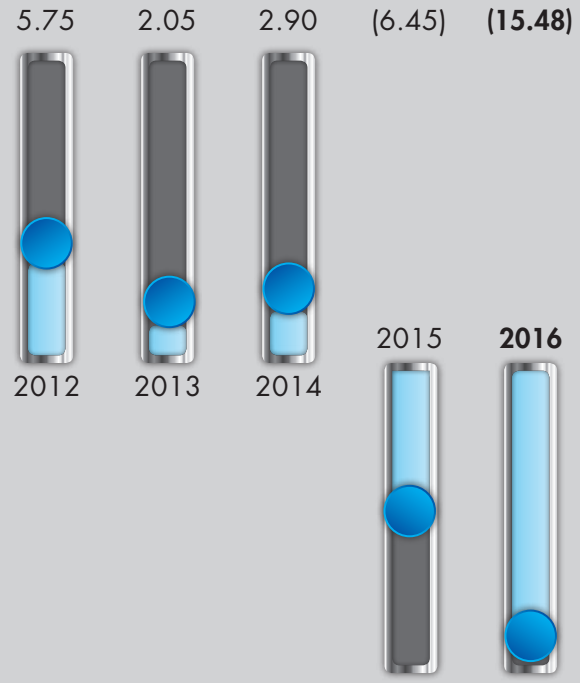
REVENUE ($'M)



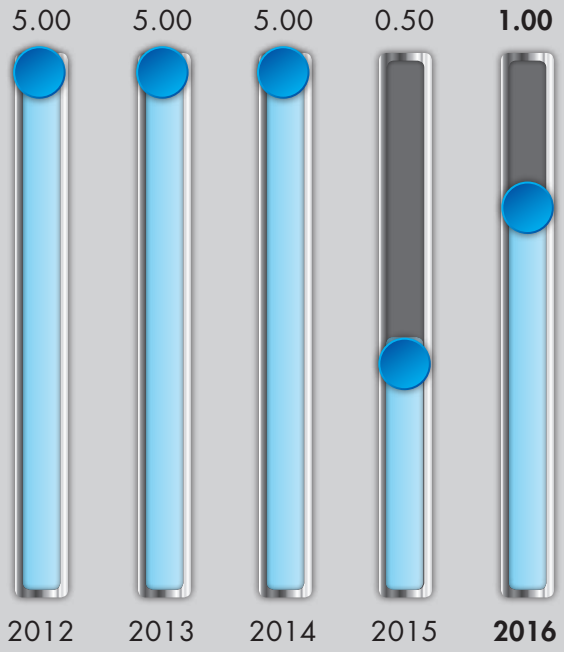
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS ($'M)



EARNINGS/(LOSSES) PER SHARE (CENTS)*



GROSS DIVIDEND PER SHARE (CENTS)*



* Adjusted for 5 shares to 1 share consolidation that was completed on 8 January 2016

FINANCIAL
HIGHLIGHTS

REVENUE AND RENTAL INCOME BY GEOGRAPHICAL LOCATIONS

	FY2016 $'000	FY2015 $'000	FY2014 $'000	FY2013 $'000	FY2012 $'000
Singapore	40,140	58,624	71,026	76,053	141,332
Malaysia	8,725	11,384	16,399	20,646	30,266
Other South East Asia Countries	4,159	9,954	25,119	46,585	59,956
Other Countries	3,346	4,424	4,745	3,773	8,023
	56,370	84,386	117,289	147,057	239,577

Results of Operation					
Revenue and rental income	56,370	84,386	117,289	147,057	239,577
Net profit attributable to shareholders	(19,094)	(7,951)	3,551	2,538	7,172
Earnings/(losses) per share (cents)	(15.48)	(6.45)^	2.90^	2.05^	5.75^
Net asset value per share (cents)	134.51	150.80^	162.90^	162.20^	165.40^
Gross dividend per share (cents)	1.00*	0.50^	5.00^	5.00^	5.00^

*: Tax exempt final dividend of 1.0 cent/share subject to approval by shareholders

^: Adjusted for share consolidation of 5 shares into 1

	FY2016 $'000	FY2015 $'000	FY2014 $'000	FY2013 $'000	FY2012 $'000
Financial Position					
Property, plant and equipment	21,529	23,031	24,498	25,986	27,183
Other non-current assets	55,250	55,531	49,125	34,324	32,797
Non-current assets	76,779	78,562	73,623	60,310	59,980
Current assets	97,733	114,840	142,500	163,711	186,595
Current liabilities	7,817	6,892	14,236	22,149	39,975
Net current assets	89,916	107,948	128,264	141,562	146,620
Non-current liabilities	770	485	962	1,022	870
Net assets	**165,925**	**186,025**	**200,925**	**200,850**	**205,730**
Share capital	104,987	104,987	104,987	105,520	106,150
Capital reserves	(2,035)	(1,646)	(864)	(1,007)	(425)
Revenue reserves	62,973	82,684	96,802	96,337	100,005
Total Equity	**165,925**	**186,025**	**200,925**	**200,850**	**205,730**



BUILDING ON OUR CORE VALUES



CHAIRMAN'S MESSAGE



THE GROUP HAS A STRONG BALANCE SHEET WITH A HIGH BALANCE OF CASH & CASH EQUIVALENT. THIS WILL HELP IT TO WEATHER THE ROUGH MARKET CONDITIONS.

DEAR SHAREHOLDERS,

THE YEAR IN REVIEW

In the financial year ended 30 June 2016, Hupsteel Limited and its group of companies ('the Group') continued to face a turbulent market of declining demand and slow global economic growth. Excess supply had driven steel prices downward and fueled fierce competition in the market. Against this backdrop of tumultuous market condition, the Group's revenue for financial year ended 30 June 2016 ('FY16') declined 33% to $56.4 million from $84.4 million for the financial year ended 30 June 2015 ('FY15'). Net loss for FY16 had widened to $19.1 million from $8.0 million for FY15. The larger net loss was significantly contributed by further writing down of inventories, providing for bad & doubtful debts and impairment of certain available-for-sale assets.

The declining demand for steel products was further accelerated by the collapse of oil prices due to oversupply in the latter half of 2015. This had resulted in dampening of oil exploration activities. The local rig building industry also suffered repercussions from the failure of one of their global customers from South America involved in oil exploration and related businesses.

Faced with these harsh economic circumstances, the Group had to take steps to write down its inventories to prevailing market rates and made adequate provisions against doubtful debts as many of its customers were involved in the marine, oil & gas sectors. The Group is taking such painful actions to ensure it is ready to seize new opportunities when market conditions improve.

With the general slower economic growth and the local property market continuing to be affected by government cooling efforts, our industrial properties suffered from low rentals and poor take up rates. When the building located at 6 Kim Chuan Drive was completed during the financial year, the Group made efforts and

CHAIRMAN'S MESSAGE

committed resources to search for the desired mix of tenants to take up the spaces but so far, has not been able to secure the right tenants.

OUTLOOK

As oil prices are expected to remain soft for the remainder of 2016, there is little prospect of improvement in oil exploration and related activities. This is reflected by the weakness in the shipbuilding and related engineering services sector. The local oil & gas sector was rocked by the failure of a large/ medium sized firm which further highlighted the plight that the sector was currently facing.

Other industrial sectors are also struggling as large world economies like China, Japan and Eurozone are facing weaker than expected growth. Persistent terrorist attacks, Great Britain opting to exit Eurozone and US expecting to hike interest rates are adding uncertainties to the global economic outlook.

With little respite from the current tough and challenging conditions in sight for the near to medium term, the Group does not expect any pickup in demand for its steel products in the new financial year.

The management is actively exploring ways to collaborate with its customers and suppliers to seek new business opportunities locally and in oversea markets. We hope to combine our respective strengths and networks to compete in new areas.

In addition, the Group will explore more intensively other business acquisition and joint venture options to create more and new revenue streams to grow and diversify. The management has met numerous prospects to discuss such possibilities. The Group is hoping that some of these discussions will develop into concrete propositions to be made known to the market and also to be brought before shareholders for consideration in the near future.

The Group will also explore avenues to seek better returns from its portfolio of properties when macro-economic conditions improve. Since the prevailing market sentiments for industrial properties are unfavourable, the Group will have to upkeep these properties for the time being and make major strategic decisions when the market improves.

Throughout the long history of the Group, it had faced many trials and challenges, and had overcome them. The management has the depth of experiences and knowledge to face the current harsh economic situation. The Group is debt free and holds a good balance of cash to weather the downturn and will be able to capitalize on any opportunities along the way.

I am confident that the Group will remain resilient in this unprecedented market turmoil. We hope our shareholders can continue to support the Board and management as the Group evolves during these tumultuous times.

DIVIDEND

The Directors are pleased to recommend a final tax exempt dividend of 1 cent per share for FY16 which is subject to shareholders' approval at the coming AGM. This recommended dividend is higher than the dividend paid in FY15, which was 0.5 cent per share (after the consolidation of 5 shares into 1 completed on 8th January 2016) taking into consideration the higher cash & cash equivalent balance held by the Group as at 30 June 2016. The Group looks forward to the continual support of its shareholders in the coming year amidst the challenging conditions.

ACKNOWLEDGEMENT

I am grateful to my fellow Directors for their support, valuable inputs and wise counsel and the Management and staff for their loyalty, dedication and contributions to the Group.

To our customers, suppliers and business associates, I would like to express our sincere appreciation for their continuing support.

Finally, I would like to specially thank our shareholders for your commitment, continued support and belief in the Group despite the challenges faced by the Group in the last year.

ONG KIAN MIN

Non-executive Chairman
21 September 2016

OPERATION REVIEW

GENERAL

For the financial year ended 30 June 2016 ('FY16'), the Group witnessed the first rate hike by the US government in December 2015, ending many years of near zero interest rate environment. This much anticipated rate hike had caused the US dollar to strengthen and was a precursor to further hikes as various economic indicators were pointing to expected continuous recovery in the US economy in the next few quarters.

While a stronger US economy would be welcome, the strengthening of the US dollar and higher interest rates with more anticipated hikes in 2016 had caused operation costs to climb.

However, the steel stockist business environment was severely affected by the drastic decline in demand for steel products from shipbuilding and rig building yards both locally and overseas over the last 2 years. This was caused by falling oil prices due to oversupply and culminated in the collapse of oil prices in February 2016. Despite some moderate recovery in prices since then, activities in oil exploration and extraction did not pick up. As a result, demand for steel products remained weak throughout the financial year ended 30 June 2016.

Global economies including the US had been growing minimally in first half of 2016. The Chinese economy was struggling to support its growth rate while the Japanese economy had not shown much improvement despite introducing negative interest rates regime. Eurozone economies were surprised by UK voting to exit the union in a late June referendum heralding uncertainties ahead. All of these macro-economic developments had further depressed the local market and had forced the government to revise its growth downward for the year to below 2% annually. *(MTI: Economic Survey of Singapore Second Quarter 2016)*

With terrorism becoming more rampant and getting closer to our shore, business sentiment would likely react adversely to such attacks. The prevention and preparation against such terror acts have taken much government attention and resources that otherwise would have been used to spur economic expansions.

PIPES, FITTINGS AND STRUCTURAL STEEL

Market demand for pipes, fittings and structural steel products weakened further in FY16 as a result of the decline in activities in major sectors like marine and oil & gas. The construction sector also showed signs of slowing down, as such total external revenue generated in FY16 from steel products sales shrank 36.4% to $48.5M from $76.2M reported for the financial year ended 30 June 2015 ('FY15').

The fall in oil prices and financial problems faced by a large oil exploration company caused a pronounced drop in demand for steel products in FY16. Rig building projects dwindled quickly and the related sectors were severely affected by the drop in business volume. With global economies growing slower than expected, demand for raw materials also weakened. This led to falling demand for new barges and tugboats for many second-tier shipyards. As a result, many shipyards were reporting fewer new orders and delays in customers taking delivery of vessels built.

Dwindling demand led to stiff competition among steel products suppliers prompting frequent price reductions and thereby eroding margins.

With the reduction in business volume in the marine sector and customers deferring deliveries of vessels, many shipyards and related supporting industries were suddenly faced with liquidity crunch. The problem was further compounded by banks freezing or recalling bank lending facilities in the wake of the poor economic outlook. With tighter cashflow, many businesses took longer to pay their debts and some were exhibiting signs of going under. Under these circumstances, the Group had to examine its accounts receivables more closely and took steps to provide against possible doubtful debts. As such, the Group made a provision for doubtful debts of $5.1M for this business division.

As global economies continued to grow feebly over the last year, raw material prices of iron ore and coal had remained at relatively low levels. Coupled with the large production capacity of mills worldwide, the market was flushed with an oversupply of steel products resulting in price cuts. Mills had to offer

OPERATION REVIEW

	Revenue and rental income (S$'000)				
	Steel products trading[1]	General hardware	Property rental	Inter-companies' adjustments[2]	Total
30 June 16	50,279	7,274	620	(1,803)	56,370
30 June 15	78,470	7,440	731	(2,255)	84,386

Notes:
(1): Include Singapore & Malaysia operations
(2): Inter-companies' adjustments applying to steel products trading only

competitive prices to their customers and sometimes even directly to end-users in order to move their inventory. This high production capacity led to oversupply and pushed prices down. However, as global demand had been weak, many mills were forced to cut capacity by shutting plants and laying off workers. The key impact to the Group was that prices were lower and there was a large ready supply of steel products in the market.

The prevailing weak market conditions meant the Group had to make small but regular purchases to keep costs current and stock fresh. As such, the Group had to review its stock holdings for items which were carried at higher historical costs and items that were older and slower moving. Although these stock items might be costlier and older, they were still in marketable conditions. However, due to sluggish market demand and fierce competition, the Group had decided to make provision against these stocks to an amount of $10.6M in FY16. The Group had also made a provision of a similar nature in the previous year for an amount of $3.3M.

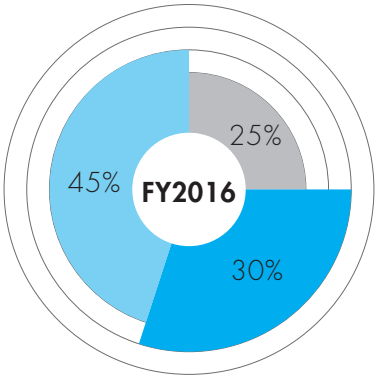
GENERAL HARDWARE & PROPERTIES

The general hardware business remained profitable despite the dismal market conditions faced by the steel products business. It contributed $7.3M to the total revenue of the Group in FY16. Nevertheless, as majority of its customers are involved in the construction and related sectors, this segment is also beginning to experience slowdown as the local economy weakens.

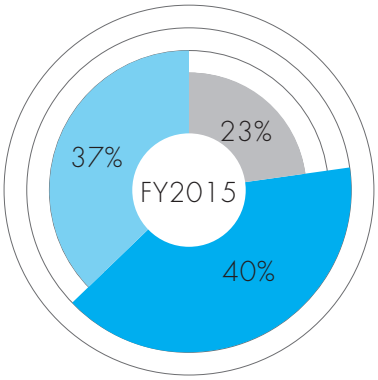
Some properties held by the Group were tenanted out for rental income. These properties included industrial buildings, shop houses and office units. With property cooling measures still in place and an oversupply of office and industrial spaces in the local market, there were downward pressures on rental rates and difficulties in securing new tenants. It was also noted that the Group needed to make extensive repairs to the older buildings progressively during the financial year and the coming year.

DISTRIBUTION OF REVENUE OF STEEL PRODUCTS TRADING BY INDUSTRY (SINGAPORE OPERATIONS ONLY)

REVENUE BY INDUSTRY – FY16



REVENUE BY INDUSTRY – FY15



Marine
Oil & Gas
Construction & Others

OPERATION REVIEW







An agent had been appointed to market the newly completed industrial building at 6 Kim Chuan Drive but success rate had been low in the light of the challenging rental environment. The agent has been busy engaging various prospective leads to strike out a deal to take up majority of the available spaces at the site. The Group expects the property business to contribute more to total revenue when the market recovers.

FINANCIAL REVIEW

In FY16, revenue and rental income declined about 33% to $56.4M from $84.4M in FY15 amidst weak demand and lower prices. The Group had also made a provision for stock obsolescence of $10.6M (FY15:$3.3M) which affected the computation of its gross profit, causing it to fall to $2.8M for the financial year from $11.9M in FY15.

Other losses of $1.3M were mainly made up of impairment losses on available-for-sale financial assets and translation loss of foreign currency denominated debts and payables. This was compared to other losses of $4.6M in FY15, which were mainly due to the impairment of goodwill.

Other operating income, which mainly comprised interest and dividend income, had remained stable at $1.4M (FY15:$1.4M). The Group's investment portfolio of equity and debts securities held as available-for-sale financial assets had remained relatively consistent in proportion. The majority of these assets were managed by professional managers engaged by the Group with frequent consultations to review its composition.

Staff cost was slightly higher in FY16 due to lower provision for incentives in the previous year. Depreciation increased to $2.0M from $1.7M in FY15 due to additional depreciation charge taken on the newly completed industrial building at 6 Kim Chuan Drive in FY16. Other operating expenses, which increased to $11.4M (FY15:$8.0M), included a provision for doubtful debts of $5.1M (FY15:$1.9M).

As a result of the provision for stock obsolescence provision against doubtful debts, impairment losses on available-for-sale financial assets and translation losses, the net loss for FY16 amounted to $19.1M (FY15: $8.0M). This net loss had also included a reversal of the provision for deferred tax assets amounting to $0.8M.

OPERATION REVIEW

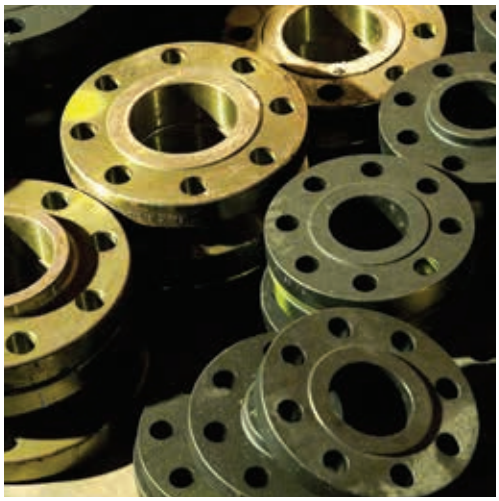
With the Group setting aside provisions against its stock balances and trade receivables, these classes of assets were now reflected at a more realistic level in view of the current challenging business outlook. The Group held cash & cash equivalents of $53.6M (FY15:$44.2M) while current liabilities had been kept relatively low at $7.8M (FY15:$6.9M). Overall, the Group still held a strong balance sheet position as at 30 June 2016 with net assets of $166M (FY15:$186M).

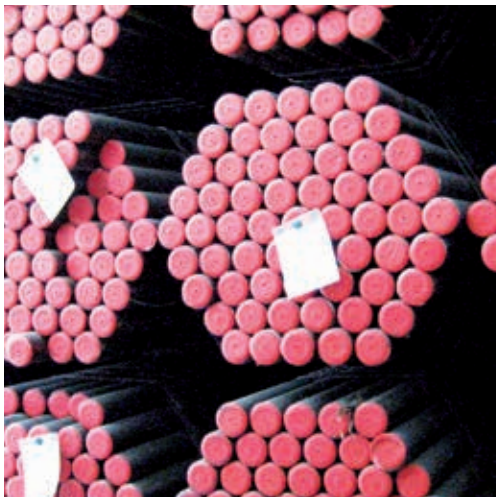
CORPORATE

The Group is proposing a final tax exempt dividend of 1 cent per share for the financial year ended 30 June 2016 subject to shareholders' approval at the coming AGM. This compares to 0.5 cent per share (after taking into effect the consolidation of 5 shares into 1 completed on 8th January 2016) paid for the financial year ended 30 June 2015.

LIM BOH CHUAN
Co-CEO & MD
Chairman, Executive Committee











CONSOLIDATING **OUR STRENGTHS**

BOARD OF DIRECTORS



01 ONG KIAN MIN Non-Executive Chairman

Mr Ong Kian Min, 56, was appointed as Non-Executive Chairman on 4 November 2010. He has been an Independent Director of the Company since 2003 and chairs the Nominating Committee. He is also a member of the Audit Committee and Remuneration Committee. Mr Ong graduated from Imperial College of Science and Technology in England with Bachelor of Science (Honours) and went on to obtain the Bachelor of Laws (Honours) external degree from the University of London. He was called to the Bar of England and Wales in 1988 and to the Singapore Bar the following year. In the course of his more than 20 years of legal practice, his main areas of practice have been corporate and commercial law, such as, corporate finance, mergers & acquisitions, restructuring and IPOs. In addition to practicing as a consultant with Drew & Napier LLC, a Singapore law firm, he is a senior adviser of Alpha Advisory Pte. Ltd. (a financial and corporate advisory firm). Mr Ong was awarded the President's Scholarship and Police Force Scholarship in 1979, and served as an elected Member of Parliament from January 1997 to April 2011.



02 LIM BOH CHUAN Director

Mr Lim Boh Chuan, 58, has been a Director of the Company since 1983. Mr B C Lim was appointed as the Deputy Managing Director in 1994 and as a member of the Executive Committee since 1994. Mr B C Lim has over 30 years of experience in industrial hardware business. He was appointed as the Co-CEO in March 2015 and as Managing Director in August 2015. Mr Lim is responsible for the general management of the Group in addition to taking care of the Group's business development, structural steel, property, general hardware businesses and corporate services of the Group. Mr Lim graduated with a Bachelor degree in Estate Management from the National University of Singapore. He is a member of the Singapore Institute of Directors since 1999. Mr Lim is the Patron of the Hwa Chong Junior College's Alumni Association. He is also the Vice Chairman of the Hwa Chong Institution Board of Governors. In 2003 and 2010, Mr Lim had the honour of receiving the "Service To Education Award" from the Ministry of Education.



03 LIM KIM THOR Director

Mr Lim Kim Thor, 63, has been a Director of the Company since 1978 and was appointed as the Managing Director in 1983. He also held the appointment of Chief Executive Officer of the Company since 1994 and became the Co-CEO in March 2015. He is also a member of the Executive Committee. Mr Lim has over 40 years of experience in the industrial hardware and steel pipe business. He enjoys close and strategic relationships with leading global steel product manufacturers and suppliers as well as major customers in the marine engineering and oil and gas industries. Mr Lim is responsible for the execution of the Group's business strategy and business expansion.

Mr Lim has always been serving actively with the Singapore Metal and Machinery Association and he is the Vice President of its 42nd council (2016–2017).



04 LIM BEO PENG Director

Mr Lim Beo Peng, 55, has been a Director of the Company since 1993 and is a member of the Executive Committee. He was appointed as Deputy Managing Director in August 2015 and will assist Mr Lim Boh Chuan in all of his duties. He assumed Executive functions in 2005 by being in charge of Corporate Service Division which provides the back room service and support to the Group. Mr Lim graduated with a Bachelor degree in Business Administration from the National University of Singapore. Mr Lim has over 30 years of experience in the industrial hardware business. Beside his business interest, Mr Lim is also represented in the 41 Honorary Committee (2012–2013) of the Singapore Metal & Machinery Association.

BOARD OF DIRECTORS

05 LIM ENG CHONG Director



Mr Lim Eng Chong, 59, has been a Director of the Company since 1992 and is currently a member of the Nominating Committee and the Remuneration Committee. Mr Lim holds a Master in Business Administration (MBA) degree from McGill University. Mr Lim has more than 20 years of multinational experience in international business and strategic market development. He is currently a director and the President of Canadec Pte Ltd.

06 LIM PUAY KOON Director



Dr Lim Puay Koon, 56, has been a Director of the Company since 1993 and is currently a member of the Audit Committee. Dr Lim holds a PhD in computer and systems engineering, and a Master in Business Administration (MBA) degree from Rensselaer Polytechnic Institute (USA). Dr Lim has more than 25 years of experience in the IT industry and has held various management and systems engineering positions in Hewlett-Packard, Dell Asia Pacific, the National Computer Board (now part of Infocomm Development Authority or IDA) and the New York State Office (USA). He is currently the Regional Director, North Asia, Dimension Data Asia Pacific Pte Ltd.

07 LIM CHEE SAN Independent Director



Mr Lim Chee San, 56, was appointed as an Independent Director of the Company on 1st November 2006. He currently chairs the Remuneration Committee and is also a member of the Audit Committee and Nominating Committee. He has been an accountant, a banker and a lawyer at different times during the last 33 years. He has his own law firm, TanLim Partnership, now. Before he started his current law practice, he was the Head of Banking Operations in a large regional bank. He also has many years of experience as an auditor in large international accounting firms. He is a barrister-at-law, a chartered certified accountant, and a chartered information technology practitioner. He was among the top candidates in his accountancy and law examinations.

08 CHAN KAM LOON Independent Director



Mr Chan Kam Loon, 56, was appointed as an Independent Director of the Company since 1st November 2006. Mr Chan was formerly the Head of Listings Function, Markets Group at the Singapore Exchange. He has a degree in accountancy from the London School of Economics and is a qualified Chartered Accountant with the Institute of Chartered Accountant in England and Wales. He articled with KPMG in London and practiced with Price Waterhouse in Singapore. Mr Chan has worked in the corporate finance business for some years and was a director of investments at a private equity fund. Mr Chan has served on the Singapore's Accounting Standards Committee, Singapore Zhejiang Business Council and also Singapore Shandong Business Council. He also serves as an independent director of several other SGX listed companies.

KEY MANAGEMENT

STEEL BUSINESS & BUSINESS DEVELOPMENT

JOE LIM KIM SAN

Mr Joe Lim Kim San, was appointed an Executive Director of Thong Seng Metal Pte Ltd ("Thong Seng"), a wholly owned subsidiary of the Company, since 1993. His main responsibility is to assist the Group's Chief Executive Officer in the sales and business operations of Thong Seng. Joe holds a Master of Business Administration degree.

TEO BOON DAT

Mr Teo Boon Dat, is the Sales Manager of the Company. Mr Teo is mainly responsible for domestic sales supplying to various industries such as engineering, trading, shipbuilding and ship repair. Mr Teo also has sales account responsibility for certain customers in Malaysia and Hong Kong. Mr Teo has more than 32 years of sales experience in the industrial hardware business and he has been instrumental in procuring certain large order term contracts from one of the largest local ship building and ship repair companies. Mr Teo joined the Company as a Sales Executive in 1983 and was promoted to Sales Manager since 1994. Mr Teo holds a G.C.E. "A" Level Certificate.

CHAI CHO LIM

Mr Chai Cho Lim, is the Sales Manager of the Company. Mr Chai is mainly responsible for export sales to markets spanning the South and South East Asia, Middle East and Oceania regions. Mr Chai has more than 18 years of sales experience in the industrial hardware business serving key accounts and customers in the oil and gas industry. He is also currently involved in the procurement of seamless and welded pipes for the company. Mr Chai joined the Company as a Senior Sales Executive in 1995 and was promoted to Sales Manager in 2001. Mr Chai holds a Bachelor of Business Administration degree (major in Marketing) from the National University of Singapore.

PHILIP TEO LEONG SENG

Mr Philip Teo, is the Marketing Manager of the Company since 2004. He is responsible for the marketing, sales and procurement of stainless steel, carbon steel and low temperature products. His previous experiences included a 2 years' stint in Japan and also managing an Anglo-Swedish company responsible for the SEA region. Mr Philip Teo holds a B.Eng. (Hons) Degree from the University of Glasgow.

JOSEPH LIM HAN LEONG

Mr Joseph Lim is the Sale Manager of Hoe Seng Huat Pte Ltd and has nearly 20 years of frontline sales experience and exposure in the marine, engineering, construction, civil and offshore industries. He is currently the Head of Sales Department of Hoe Seng Huat Pte Ltd. In additional to his current job scope, he is also responsible for the sourcing, procurement and marketing of structural products for the company. Mr Joseph Lim holds a Bachelor of Science degree from Indiana University in Bloomington, USA.

KEY
MANAGEMENT

CORPORATE SERVICES

YAP CHUEN KONG

Mr Yap Chuen Kong, joined the Company in 2004 as the Group Financial Controller and was appointed as the Chief Financial Officer with effect from 1 May 2007. He is in charge of financial reporting, taxation, treasury, internal control systems and corporate advisory matters for the Group and the Company. He started his career with one of the Big Four public accounting firms and has since accumulated years of accounting and management experience from working in other public listed companies and private enterprises. Mr Yap graduated from Nanyang Technological University with a degree in Bachelor of Accountancy (Honours).

He had completed his ICSA examination and is a member of SAICSA.

PECK KIM GEE

Mr Peck Kim Gee, joined the Company as a Project Development Manager in 1995. His main responsibilities are assisting the Co-CEO and Managing Director in project management, ISO, property related matters and the Group's property business. He is also the appointed Fire Safety Manager for the Group's warehouse. Prior to joining the Company, Mr Peck has several years of experience in public accounting. Mr Peck holds a Bachelor of Business Administration degree in Finance and a Master of Business Administration degree.

LUCY LAZAROUS-SIM

Ms Lucy Lazarous-Sim is the Human Resource Manager for the Company & its group of Companies since June 2005. Prior to joining the Group, she has more than 18 years of experience in the field of Admin & Human Resource, in various industries.

Ms Lazarous oversees the full spectrum of HR activities for the Group which includes policies formulation, recruitment, compensation & benefits management, performance management, training & development, industrial relations, succession planning, career management, employee communication and work life balance.

Ms Lazarous is a Certified Human Resource Manager (CHRM) by HRSINGAPORE® and has attained the accreditation of Human Resource Professional (HRP) by Singapore Human Resources Institute (SHRi). She is also a Professional Member of SHRi and sits in its HR Career Pathways sub-committee.

Ms Lazarous holds a Bachelor of Arts in Human Resource Management with Organisational Psychology from Edinburgh Napier University UK.

NG MEI CHOO

Ms Ng Mei Choo, joined the Company as Finance and Admin Manager of Pressure Products Sdn Bhd ('Pressure Products'), a wholly owned subsidiary of the Company incorporated in Malaysia, since 2001. Her main responsibilities is to assist the Managing Director in overseeing the Company's daily operation relating to financial reporting, taxation, secretarial, human resource and the day-to-day sales and marketing related matters. Ms Ng started her career with a Public Listed Company in Malaysia and has since accumulated years of corporate experiences. Ms Ng holds a Bachelor of Economics (Honours) degree and a Master in Accountancy from University of Malaya, Malaysia.

CORPORATE INFORMATION

BOARD OF DIRECTORS

MR ONG KIAN MIN Non-executive Chairman, Independent Director
MR LIM BOH CHUAN Co-Chief Executive Officer & Managing Director
MR LIM KIM THOR Co-Chief Executive Officer & Managing Director
MR LIM BEO PENG Deputy Managing Director
MR LIM ENG CHONG Non-executive Director
DR LIM PUAY KOON Non-executive Director
MR CHAN KAM LOON, PHILIP Independent, Non-executive Director
MR LIM CHEE SAN Independent, Non-executive Director

EXECUTIVE COMMITTEE

MR LIM BOH CHUAN Chairman
MR LIM KIM THOR
MR LIM BEO PENG

AUDIT COMMITTEE

MR CHAN KAM LOON, PHILIP Chairman
MR ONG KIAN MIN
DR LIM PUAY KOON
MR LIM CHEE SAN

NOMINATING COMMITTEE

MR ONG KIAN MIN Chairman
MR LIM ENG CHONG
MR LIM CHEE SAN

REMUNERATION COMMITTEE

MR LIM CHEE SAN Chairman
MR LIM ENG CHONG
MR CHAN KAM LOON, PHILIP

COMPANY SECRETARIES

MS TAN CHING CHEK
Date of appointment : 28 Mar 2016
MS TEO AH HIONG
Date of appointment : 28 Mar 2016

REGISTERED ADDRESS

116, Neythal Road
Singapore 628603

BUSINESS OFFICE

116 Neythal Road
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Tel : (65) 6419 2121
Fax : (65) 6419 2113
Website: www.hupsteel.com

SHARE REGISTRAR

BOARDROOM CORPORATE & ADVISORY SERVICES PTE LTD
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Tel : (65) 6230 9608

AUDITOR

PRICEWATERHOUSECOOPERS LLP
8 Cross Street #17-00
PWC Building
Singapore 048424
Tel : (65) 6236 3388

AUDIT PARTNER-IN-CHARGE

MR LEE KOK HOOI
Date of appointment : 12 Nov 2012

CORPORATE GOVERNANCE

The Board of Directors of the Group is committed to maintain a high standard of corporate governance by complying with the Code of Corporate Governance 2012 (the "**Code**"). In areas where the Group deviates from the Code, the rationales are provided.

This Report describes the Company's corporate governance framework in place with reference to the Code.

BOARD MATTERS

Principle 1:
Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

The Board's primary role is to protect and enhance long-term shareholders' value and its primary functions are to establish the corporate and strategic policies of the Group, ensures effective management leadership, proper conduct of the Group's businesses and to monitor the Group's performance.

Matters which are specifically reserved for the Board include material acquisition and disposal proposals, major corporate or financial restructuring, strategic business initiatives i.e. board policies, strategies and financial objectives of the Company, major fund raising exercises, approving nominations of directors and appointment of key executives, approval for the release of quarterly and full year results, approval of annual audited accounts for the Group and the Directors' Statement thereto, proposals of dividends and authorisation of material interested person transactions and other significant corporate actions.

Additionally, the Board delegates and entrusts certain of its functions and powers to Board Committees namely Executive Committee ("EC"), Audit Committee ("AC"), Remuneration Committee ("RC") and Nominating Committee ("NC").

The current EC comprises Mr Lim Boh Chuan (Chairman), Mr Lim Kim Thor and Mr Lim Beo Peng.

The EC is established principally to assist the Board in making decisions expeditiously and is mainly responsible for planning strategy, Group policy review, attending to urgent and important business or business of an unusual and extraordinary nature, and any other functions delegated by the Board.

The Board comprises members with strong business credentials, industry knowledge and from various professions such as information technology, finance, business and management and legal.

The Management regularly furnishes the Board with updates concerning the changes in legislation, regulations or accounting standards where they may be applicable and relevant in enabling the Board to carry out its duties and responsibilities properly. To facilitate the effective and efficient discharge of duties and responsibilities, the directors are provided with extensive information on the Group's business activities, strategic directions and policies with regular and timely updates whenever there are any new developments.

Newly appointed directors are given briefings by the Management on the Group's business activities, strategic directions, policies and the regulatory environment in which it operates, as well as their statutory and other duties and responsibilities of directors.

CORPORATE GOVERNANCE

The Board has separate and independent access to the Company Secretaries at all times. The Company Secretaries attend Board and Committees' meetings and are responsible for ensuring that Board procedures are followed. The Board also has access to independent professional advice, where necessary, at the Company's expense.

Principle 2:
There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board comprises eight directors as follows:

	Board	Audit Committee	Nominating Committee	Remuneration Committee	Executive Committee
Ong Kian Min	Chairman	Member	Chairman	–	–
Lim Boh Chuan	Co-Chief Executive Officer and Managing Director	–	–	–	Chairman
Lim Kim Thor	Co-Chief Executive Officer and Managing Director	–	–	–	Member
Lim Beo Peng	Deputy Managing Director	–	–	–	Member
Lim Eng Chong	Member	–	Member	Member	–
Dr Lim Puay Koon	Member	Member	–	–	–
Philip Chan Kam Loon	Member	Chairman	–	Member	–
Lim Chee San	Member	Member	Member	Chairman	–

Mr Ong Kian Min is the non-executive and independent Chairman. Mr Philip Chan Kam Loon and Mr Lim Chee San are the non-executive and independent directors. Mr Lim Eng Chong and Dr Lim Puay Koon are the non-executive directors. The three executive directors are Mr Lim Boh Chuan, Mr Lim Kim Thor and Mr Lim Beo Peng.

The Company's Constitution permits directors to attend meetings through the use of audio-visual communication equipment.

The Board meets at least four times a year to review key activities, business strategies and major investment decisions, financial performance and release of quarterly and year-end announcement. Additional meetings, where necessary, will be held to address significant issues that may arise. The attendance of the directors at Board and Board committees meetings is as follows:–

	Board Meeting		Audit Committee ('AC')		Remuneration Committee ('RC')		Nominating Committee ('NC')		Executive Committee ('EC')	
	Held	Attend	Held	Attend	Held	Attend	Held	Attend	Held	Attend
Ong Kian Min	4	4	4	4	–	–	2	2	–	–
Lim Kim Thor	4	4	–	–	–	–	–	–	7	7
Lim Boh Chuan	4	4	–	–	–	–	–	–	7	7
Lim Eng Chong	4	4	–	–	2	2	2	2	–	–
Dr Lim Puay Koon	4	4	4	4	–	–	–	–	–	–
Lim Beo Peng	4	4	–	–	–	–	–	–	7	7
Chan Kam Loon, Philip	4	4	4	3	2	2	–	–	–	–
Lim Chee San	4	4	4	4	2	2	2	2	–	–

CORPORATE GOVERNANCE

There is strong and independent element on the Board. The Board is able to exercise objective judgment independently from Management and no individual or small group of individuals dominate the decisions of the Board.

The Nominating Committee considers the Board's present size and composition appropriate taking into account the nature and scope of the Group's operations, the depth and breadth of knowledge, expertise and business experiences of the directors to govern and manage the Group's affairs and that a majority of the Board size is independent.

Each director has been appointed on the strength of his calibre, experience and stature. Each director is expected to bring valuable range of experience and expertise to contribute to the development of the Group strategy and the performance of its business.

The Nominating Committee reviews the size of the Board from time to time.

The Board has no dissenting view on the Chairman's statement for the year in review.

Principle 3:
There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

Mr Ong Kian Min is the Independent and Non-Executive Chairman of the Board of Directors. Mr Lim Kim Thor and Mr Lim Boh Chuan are the Co-Chief Executive Officers ("Co-CEOs") and Managing Directors of the Company. The Chairman of the Company and the Co-CEOs are separate persons and he is not related to the Co-CEOs. There is a clear segregation of the roles and responsibilities between the Chairman the Co-CEOs.

The Chairman provides overall vision and strategic guidance and bears responsibility for the workings of the Board. The Chairman ensures that the Board members work together with the Management and that the Board engages Management in constructive discussions on various matters, including strategic issues and business planning processes.

The Co-CEOs bear executive responsibilities for the Group's business. The Co-CEOs oversee the daily running of the Group's operations and are responsible for executing strategies and policies adopted by the Board.

The appointment of 2 Co-CEOs, who are also appointed as Managing Directors, is part of the Group's succession plan. This allows the newly appointed Co-CEO to ease into the role of a CEO with the help of the existing CEO. The Group intends to make further adjustment to the top management structure and appropriate announcements will be made.

Principle 4:
There should be a formal and transparent process for the appointment and reappointment of directors to the Board.

Principle 5:
There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

The Nominating Committee consists of three members, majority of the whom (including the Chairman) are independent and non-executive, as follows:

Ong Kian Min (Chairman, Independent and non-executive)
Lim Chee San (Independent and non-executive)
Lim Eng Chong (Non independent and non-executive)

CORPORATE GOVERNANCE

The NC meets at least once every financial year and when necessary.

The NC has adopted its terms of reference that describes the responsibilities of its members. The NC is responsible for the selection of new directors, nomination, re-election and re-appointment of directors for recommendation to the Board or shareholders, as the case may be, for concurrence and approval. In doing so, NC gives consideration to the necessary skill, knowledge and experience of incoming directors and also the competing time commitments faced by incoming directors with multiple board representation and contributions, past performance and commitment (e.g. attendance preparedness, participation and candour) by directors who have put themselves up for retirement at regular intervals as prescribed by the provisions of the Company's Constitution. NC will take guidance from the Company's Constitution on the re-election of directors.

Article 84 of the Company's Constitution provides that a director holding the office of Managing Director will not subject to retirement by rotation. Currently, Mr Lim Boh Chuan and Mr Lim Kim Thor are holding the office of Managing Director.

Article 88 of the Company's Constitution provides one third (or, if the number is not a multiple of three, the number nearest to but not greater than one third) of its board members for the time being to retire from office at each Annual General Meeting ("AGM").

Dr Lim Puay Koon and Mr Lim Chee San will be retiring via rotation pursuant to Article 88 of the Company's Constitution at the forthcoming AGM and have offered themselves for re-election.

The NC has recommended that Dr Lim Puay Koon and Mr Lim Chee San be re-elected. The Board has accepted the recommendations of the NC.

The NC also determines the independence of directors and evaluates and assesses the effectiveness of the the Board taking into consideration appropriate performance criteria.

The search and nomination process for new directors, if any, will be through search companies, contacts, and recommendations that go through the normal selection process, to cast its net as wide as possible for the right candidates.

New directors are appointed by the Board after the NC has reviewed and recommended their appointment. Such new directors are however required to submit themselves for re-election at the next AGM of the Company.

The NC has assessed the independence of the directors based on the definition of independence as set out in the Code. The NC requires all the independent directors to confirm their independence and their relationships with the directors, management and 10% shareholder of the Company by a declaration in writing annually.

The three independent and non-executive directors, namely Mr Ong Kian Min, Mr Philip Chan Kam Loon and Mr Lim Chee San, have served on the Board for more than nine years from the date of their respective first appointment. In assessing the independence of Mr Ong Kian Min, Mr Philip Chan Kam Loon and Mr Lim Chee San, to particularly rigorous review, the NC and the Board have (with each of them abstaining from discussion and deliberation on their independence) placed more emphasis on whether each of them has demonstrated independent judgment, integrity, professionalism and objectivity in the discharge of his duties rather than imposing a maximum number of year that each should serve. The NC and the Board have noted that each of them has not hesitated to express his own viewpoint as well as seeking clarification from Management on issues he deems necessary. It is noted that each of them is able to exercise objective judgment on corporate matter independently, in particular from Management and 10% shareholders, notwithstanding that each of them has served more than 9 years on the Board. After due consideration and careful assessment, the NC and the Board are of the view that Mr Ong Kian Min, Mr Philip Chan Kam Loon and Mr Lim Chee San remain independent.

CORPORATE GOVERNANCE

The NC is also of the opinion that the directors, who have been classified as independent under the Board Composition section, are indeed independent.

When a director has multiple board representations, such director has to ensure that sufficient time and attention is given to the affairs of the Company and the NC is satisfied that the director is able to and has been adequately carrying out his duties as a director of the Company. The NC is of the view that the issue relating to multiple board representations should be left to the judgment and discretion of each director. As such, the NC and the Board have decided not to set any maximum number of listed company board representations that any director may hold.

Periodically and to ensure relevance, NC will review the structure, size and composition of the Board. NC and the Board opined that its current size is adequate for the Group. The current mix of experience and expertise of its Board members, as a group, provide core competences in areas such as accounting, finance, business and management and industrial knowledge necessary to the discharge of its duties and responsibilities.

There is also a good balance of independent non-executive, executive and non-executive directors on the Board to enable an objective judgment of the corporate affairs of the Group by the board members. NC also reviewed and is satisfied that all non-executive and independent directors have and will continue to be able to spend sufficient time on the affairs of the Group.

The NC has established a formal appraisal process to assess the performance and effectiveness of the Board as a whole annually. It focuses on a set of performance criteria which includes the evaluation of the size and composition of the Board, the Board's access to information and Board accountability. The findings of such evaluations were analysed and discussed with a view to identifying areas for improvement and implementing certain recommendations to further enhance the effectiveness of the Board.

In its evaluation, the NC considers the expertise and experience of each Board member, their attendance, participation and contributions to the Board both inside and outside of Board meetings which can be in many forms, including Management's access to him for guidance or exchange of views outside the formal environment of the Board. In the process NC will also look at the performance, direction and vision of the Group including the continuity of stewardship.

Principle 6:
In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

The Board has separate and independent access to the Management. Requests for information from the Board are dealt with promptly. The Board is informed of all material events and transactions as and when they occur.

The Company Secretary and/or her nominee attend all board meetings and assist the Chairman in ensuring that board procedures are followed.

The Board may also seek independent professional advice concerning the Group's affairs at the expense of the Company.

CORPORATE GOVERNANCE

REMUNERATION MATTERS

Principle 7:
There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

Principle 8:
The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

Principle 9:
Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

The RC, which meets at least once every financial year and when necessary, comprises three directors, of whom two are independent non-executive and one non-executive, as follows:–

Lim Chee San (Chairman, Independent and non-executive director)
Lim Eng Chong (Non-independent and and non-executive)
Chan Kam Loon, Philip (Independent and non-executive director)

The RC carries out their duties in accordance with the written Terms of Reference. The primary objective of the RC is to make recommendations to the Board on the Group's framework of remuneration for directors and key executives and to determine specific remuneration packages for all the executive directors.

Although the recommendations are made in consultation with Management, the remuneration packages are ultimately approved by the Board. No director is involved in deciding his own remuneration.

The executive directors have service contracts which include terms of termination under appropriate notice. Non-executive directors are remunerated based on basic fees for serving on the Board and Board committees as are the executive directors. Such fees are recommended for approval for approval by shareholders and are payable quarterly in arrears.

The RC access to expert professional advice on remuneration matters whenever there is a need to obtain such advice.

The Company does not have a share option scheme.

At the moment, the Company does not have any contractual provisions to reclaim incentive components of remuneration from executive directors and key management executives in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The RC will consider, if required, whether there is a requirement to institute such contractual provisions to allow the Company to reclaim the incentive components of the remuneration of the executive directors and key management executives paid in prior years in such exceptional circumstances.

CORPORATE GOVERNANCE

The RC's recommendations are made in consultation with the Chairman of the Board and are submitted for endorsement by the entire Board. The RC takes into account the pay and employment conditions within the industry and in comparable companies, as well as the Company's relative performance and the performance of the individual directors when setting remuneration packages so as to attract, retain and motivate the directors needed to run the Company successfully. All aspects of the remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, profit sharing incentives, and benefits in kind are covered in the review by the RC. A proportion of the executive directors' remuneration is linked to performance.

Remuneration Report

Name of director	Base Salary (%)	Variable Payments (%)	Other Benefits (%)	Fees (%)	Total (%)
$500,001 – $600,000					
Lim Boh Chuan	65	–	33	2	100
$250,001 – $500,000					
Lim Kim Thor	78	–	20	2	100
Lim Beo Peng	80	–	17	3	100
Below $100,000					
Lim Eng Chong	–	–	–	100	100
Lim Puay Koon	–	–	–	100	100
Ong Kian Min	–	–	–	100	100
Chan Kam Loon, Philip	–	–	–	100	100
Lim Chee San	–	–	–	100	100

During the year, the Group appointed two Co-CEOs, namely Mr Lim Boh Chuan and Mr Lim Kim Thor. Mr Lim Boh Chuan was newly appointed to the position of Co-CEO and Managing Director as part of the Group's succession plan. With the expanded scope of responsibilities following the appointment, adjustment was made to his remuneration package which also increased the amount provided for Director retirement gratuity in accordance with the terms and conditions of the service agreement.

The Group adopts a remuneration policy for staff comprising a fixed component and a variable component. The fixed component is in the form of a base salary. The variable component is in the form of a variable bonus that is linked to the performance of the Group and of the individual staff. Staff appraisals are conducted annually.

The Board is of the view that full disclosure of the remuneration of Directors and key management staff who are not directors will be detrimental to the Group's interest because of the very competitive nature of the industry the Group operates in. All key executives of the Group as disclosed in the Annual Report earned remuneration of less than $250,000 each for the financial year ended 30 June 2016. The total remuneration paid to top 5 employees who are key management personnel for the financial year ended 30 June 2016 was $756,000.

CORPORATE GOVERNANCE

The breakdown of the key 5 executives is as follow (each earning below $250k)

Name (in alphabetical order)	Fixed (%)	Variable (%)	Total (%)
Chai Cho Lim	86	14	100
Lim Han Leong, Joseph	87	13	100
Teo Boon Tat	85	15	100
Teo Leong Seng	87	13	100
Yap Chuen Kong	85	15	100

During the year, employees in the Group, being an immediate family member of a director, whose remuneration exceeded S$50,000 were:

Name of employees

Related to Co-CEO who received $150,000 to $200,000
Joe Lim Kim San – Brother of Mr Lim Kim Thor

Related to Co-CEO who received $50,000 to $100,000
Lim Boh Wee – Son of Mr Lim Kim Thor

Related to a Director who received $100,000 to $150,000
Joseph Lim Han Leong – Brother of Mr Lim Beo Peng

Related to a Director who received $50,000 to $100,000
Andrina Lim – Sister of Mr Lim Beo Peng
Steven Lim – Brother of Mr Lim Beo Peng

ACCOUNTABILITY AND AUDIT

Principle 10:
The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board accounts to the shareholders through providing timely information relating to the financial and operations of the Group as well as any issues faced by the Group regularly and through announcements released to the SGX-ST.

Principle 11:
The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

Principle 12:
The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

CORPORATE GOVERNANCE

The AC comprises four directors of whom three are independent and non-executive and one non-independent and non-executive. All members have accounting or financial management expertise.

The composition of AC is as follows:–

Chan Kam Loon, Philip (Chairman, Independent and non-executive director)
Ong Kian Min (Independent and non-executive director)
Lim Puay Koon (Non-independent and non-executive director)
Lim Chee San (Independent and non-executive director)

Details of the functions and responsibilities of the AC are found in the Directors' Statement.

The AC has full access to and co-operation from Management and meets external and internal auditors without the presence of Company's Management for the year in review. In addition, updates on changes in accounting standards are prepared by the External Auditor and circulated to members of the Audit Committee periodically for information.

The Audit Committee has also reviewed and confirmed that PricewaterhouseCoopers LLP is a suitable audit firm to meet the Company's audit obligations, having regard to the adequacy of resources and experience of the firm and the assigned audit engagement partner, PricewaterhouseCoopers LLP's other audit engagements, size and complexity of Hupsteel Group, number and experience of supervisory and professional staff assigned to the audit. Accordingly, the Audit Committee recommended to the Board the re-appointment of PricewaterhouseCoopers LLP as the external auditor of the Company for the year ending 30 June 2017. Therefore, the Company complies with Rule 712 of the Listing Manual.

PricewaterhouseCoopers LLP has been engaged to audit the financial statements of the Company and all its Singapore-incorporated subsidiaries.

The Group has a wholly-owned subsidiary in Malaysia which is not considered significant as defined under Clause 718 of the Listing Manual of the Singapore Exchange Securities Trading Limited. The financial statements of this subsidiary is audited by a local audit firm in Malaysia.

The Group has complied with Rule 715 of the Listing Manual in relation to its auditing firm.

Rule 716 of the Listing Manual does not apply to the Group as PricewaterhouseCoopers LLP has been engaged to audit the financial statements of all the Group Singapore-incorporated subsidiaries.

The external auditor has confirmed its independence. The fees paid for audit services were $132,000 and AC confirmed that there was no non audit service performed by the external auditor during the financial year.

With the assistance of the external and internal auditors, AC conducts annual review of all material internal controls. The AC is satisfied that the Company's material internal controls are adequate.

The Company has put in place a whistle-blowing framework where staff of the Group has access to the AC Chairman to raise concerns about improprieties. Contact details of the AC Chairman are made available to all staff. There was no complaint received up to the date of this report.

The Board had received assurance from the Co-CEOs and CFO 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 regarding the effectiveness of the company's risk management and internal control system.

CORPORATE GOVERNANCE

Principle 13:
The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Group has outsourced the internal audit functions to RHT Governance & Risk (Singapore) Pte. Ltd (formerly known as Shinnes Consulting And Advisory Pte. Ltd). The internal auditors undertake the following functions and responsibilities in line with the Standards for the Professional Practice of Internal Auditing:

- review the effectiveness of the Company's material internal controls;
- provide assurance that key business and operational risks are identified and managed;
- ensure internal controls are in place and functioning as intended; and
- ensure operations are conducted in an effective and efficient manner.

The Internal Auditors report directly to the Chairman of the AC and make recommendations on their findings.

The Group's external auditor, PricewaterhouseCoopers LLP, also contribute an independent perspective on the internal control systems arising from their audit and annually report their findings to the AC.

Based on the internal controls established and maintained by the Group, work performed by the Internal Auditors, and the statutory audit conducted by the External Auditor, and reviews performed by Management and various Board committees, the Board, with the concurrence of the Audit Committee, is of the opinion that the system of internal controls, including financial, operational, compliance and information technology controls and risk management, were adequate and effective as at 30 June 2016 to meet the needs of the Group's existing business objectives, having addressed the risks which the Group considers relevant and material to its operations. While acknowledging their responsibility for the system of internal controls, the Directors are aware that such a system is designed to manage, rather than eliminate risks, and therefore cannot provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors or mis-statements, poor judgment in decision-making, human errors, losses fraud or other irregularities.

COMMUNICATION WITH SHAREHOLDERS

Principle 14:
Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

The Board strives to ensure that all material information is disclosed to the shareholders in an adequate and timely basis. The Board informs and communicates with shareholders through annual reports, announcements released through SGX-ST and advertisement of notice of General Meetings.

Principle 15:
Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

Chairmen of the EC, AC, NC and RC, or members of the respective committees standing in for them, as well as external auditors will be present and available to address questions at General Meetings.

CORPORATE GOVERNANCE

Principle 16:
Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

Shareholders are encouraged to attend the AGM to ensure a greater level of shareholder participation and for them to be kept up to date as to the strategies and goals of the Group. All shareholders of the Company receive a copy of the Annual Report, the Notice of AGM and circulars and notices pertaining to any Extraordinary General Meetings of the Company. To facilitate participation by the shareholders, the Constitution of the Company allows the shareholders to attend and vote at general meetings of the Company by proxies. A shareholder who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the general meetings while a member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the general meetings through proxy forms deposited 48 hours before the meeting. Notices of general meetings are also advertised in newspapers and available on the SGX-ST's website.

Every matter requiring shareholders' approval is proposed as a separate resolution. Each item of special business included in the notice of meeting is accompanied, where appropriate, by an explanation for the proposed resolution. As authentication of shareholder identity information and other related security issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail, facsimile or email. Participation of shareholders is encouraged at the AGM through the open question and answer session. The Directors, Management and the External Auditor are available to address any queries or concerns on matters relating to the Group and its operations.

To promote greater transparency and effective participation, the Company has started to conduct the voting of all its resolutions by poll at all general meetings. The detailed voting results, including the total number of votes cast for or against each resolution tabled, are announced at the general meetings and via SGXNET.

DIVIDEND POLICY

While the Company has not formally instituted a dividend policy, it has a good track record of paying annual dividends to shareholders. In proposing any dividend payout and/or determining the form, frequency and/or the amount of such dividend payout, the Board will take into account, inter alia, the Group's financial position, retained earnings, results of operation and cash flow, the Group's expected working capital requirements, the Group's expected capital expenditure and future expansion and investment plans and other funding requirements, general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group.

The Board endeavours to maintain a balance between meeting shareholders' expectations and prudent capital management with a sustainable dividend payout.

SECURITIES TRANSACTIONS

An internal code, which complies with Rule 1207(19) of the Listing Manual of the SGX-ST, with respect to dealings in securities of the Company, has been issued to Directors and staff. The Company's Directors and staffs are not allowed to deal in the Company's shares within two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year and one month before the announcement of the Company's full year financial statements.

Directors and staff are advised and are not expected to deal in the Company's securities on considerations of a short term nature.

CORPORATE GOVERNANCE

Directors of the Company are required to report all dealings to the Company Secretary within two business days and appropriate announcement will be made via the SGXNet.

INTERESTED PERSON TRANSACTIONS

The Company monitors all its interested person transactions closely and all interested person transactions are subject to review by the AC. There was no interested person transaction for the financial year ended 30 June 2016.

MATERIAL CONTRACTS

There are no material contracts entered into by the Company or any of its subsidiaries involving the interests of the Co-CEOs, any directors or controlling shareholder, either still subsisting at the end of the year or entered into since the end of the previous financial year.

RISK MANAGEMENT

The Group regularly reviews and improves its business and operational activities to identify areas of significant business risk as well as take appropriate measures to control and mitigate these risks. The Group has appointed RHT Governance & Risk (Singapore) Pte. Ltd ('RHT') to conduct an Enterprise Risk audit. RHT reviewed all significant control policies and procedures and highlighted all significant matters to the AC and the Board.

The financial risk management objectives and policies are outlined below.

Fluctuation in industrial hardware product prices

As a stockist, the Group has to stock a wide range of steel pipes and other accessories to cater to the needs of its customers. The Group currently sources its pipes and fittings from global steel hardware manufacturers. Prices of these steel products are subject to international price fluctuations. Any significant fluctuation in the price of steel will affect the Group's cost of purchase and bottom line.

The Group, with more than 60 years of knowledge and expertise gained in this line of business, is able to make appropriate adjustments to its supplier choice, timing of purchase and shipment, contracting arrangement with its customers, and hedging policies to address price fluctuation risk.

Risks of political instability or economic downturn in the countries to which the Group exports

In FY2016, exports accounted for 29% of the Group's revenue as compared to 31% in FY2015. The major countries to which the Group currently exports to are mainly Asian countries such as Malaysia, Thailand and Indonesia. As such, any political instability or economic downturn in these countries will adversely affect the sales and hence profitability of the Group.

The Group recognised the importance of market diversification and its ongoing strategy is to entrench its current market position in ASEAN markets and to further expand beyond its existing geographical coverage.

CORPORATE GOVERNANCE

Exposure to credit risks

The Group is exposed to credit risks of its customers. From time to time, in the ordinary course of business, certain customers may default on their payment. Such events may arise due to the inherent risk from its customers' business, risk pertaining to the political, economic, social and legal environment of its customers' jurisdiction and foreign exchange risk. However, the Group regularly reviews its exposure by way of monthly management reports, market feedbacks, performing checks on customers' financial status and executes necessary payment recovery measures to minimise its credit risks.

The Group performs credit check and approval before granting credit to customers and all credit accounts are subject to regular review. The Group imposes a credit limit and a credit term on each customer. Significant credit exceptions are brought to the attention of the Executive Directors.

In addition, the Group is not dependant on any single customer or any single country. The Group has more than 1,000 customers based in more than 15 countries. Hence, the Group is not exposed to significant credit risk posed by any single customer.

Foreign exchange exposure

The purchases of the Group are mainly denominated in US$ and its sales are mainly denominated in S$. The Group is exposed to fluctuations in foreign exchange rates particularly as its sales and purchases are denominated in different currencies. For FY2016, approximately 64% of its total purchases were made in US$, whilst approximately 82% of its total sales were denominated in S$, 13% in US$ and 5% in Malaysia Ringgit ("MR"). Hence, the Group may be exposed to any significant fluctuation of the US$.

The Group monitors the US$ exchange rates closely and will enter into forward contracts on a case-by-case basis to reduce its exposure. The Group also holds some US$ deposits from customer collections as a form of natural hedge.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

The directors present their statement to the shareholders together with the audited financial statements of the Group for the financial year ended 30 June 2016 and the balance sheet of the Company as at 30 June 2016.

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 38 to 92 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 30 June 2016 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

DIRECTORS

The directors of the Company in office at the date of this statement are as follows:

Mr Lim Boh Chuan
Mr Lim Kim Thor
Mr Lim Beo Peng
Mr Lim Eng Chong
Dr Lim Puay Koon
Mr Ong Kian Min
Mr Chan Kam Loon, Philip
Mr Lim Chee San

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

(a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director or nominee		Holdings in which director is deemed to have an interest	
	At 30.06.2016*	At 01.07.2015	At 30.06.2016*	At 01.07.2015
Company				
No. of ordinary shares				
Lim Boh Chuan	7,240,050	36,200,250	18,603,000	93,015,000
Lim Kim Thor	6,880,980	34,404,900	18,639,000	93,195,000
Lim Eng Chong	4,520,430	22,602,150	18,603,000	93,015,000
Lim Puay Koon	7,240,500	36,202,500	18,603,000	93,015,000
Lim Beo Peng	2,680,710	13,403,550	–	–

* Adjusted for share consolidation of 5 shares to 1 share completed on 8 January 2016 (Note 28).

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

(b) According to the register of directors' shareholdings, all directors, except Mr Ong Kian Min, Mr Chan Kam Loon, Philip and Mr Lim Chee San, are deemed to have interests in all the ordinary shares of the wholly-owned subsidiaries held by the Group at the beginning and end of the financial year.

(c) The directors' interests in the ordinary shares of the Company and of related corporations as at 21 July 2016 were the same as at 30 June 2016.

SHARE OPTIONS

No options were granted during the financial year to subscribe for unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option at the end of the financial year.

AUDIT COMMITTEE

The members of the Audit Committee at the end of the financial year were as follows:

Mr Chan Kam Loon, Philip	–	Independent (Chairman)
Dr Lim Puay Koon	–	Non-Executive
Mr Ong Kian Min	–	Independent
Mr Lim Chee San	–	Independent

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act. In performing these functions, the Committee:

(i) reviewed with the external auditors, their audit plan and audit report;

(ii) reviewed any matters which the external auditors wish to discuss, without the presence of management;

(iii) reviewed with the internal auditors, their audit plan, evaluation of the internal accounting controls, audit report and any matters which the internal auditors wish to discuss;

(iv) reviewed the balance sheet of the Company and the consolidated financial statements of the Group in the quarterly announcements and annual report;

(v) made recommendations to the Board on the appointment of the external and internal auditors and on their remunerations; and

(vi) reviewed the Interested Person Transactions as defined in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") as is required by SGX-ST and ensured that the transactions were on normal commercial terms and not prejudicial to the interests of the shareholders of the Company.

The Audit Committee has recommended to the Board that the independent auditor, PricewaterhouseCoopers LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

INDEPENDENT AUDITOR

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

Lim Kim Thor
Director

Lim Boh Chuan
Director

23 September 2016

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF HUPSTEEL LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of HUPSteel Limited (the "Company") and its subsidiaries (the "Group") set out on pages 38 to 92, which comprise the consolidated balance sheet of the Group and balance sheet of the Company as at 30 June 2016, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2016, and of the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date.

Report on other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 23 September 2016

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Note	Group 2016 $'000	2015 $'000
Revenue	4	**55,750**	83,655
Other income	5	**2,028**	2,149
Other gains and losses	6	**(1,264)**	(4,559)
Expenses			
– Purchases of inventories		**(38,215)**	(63,214)
– Changes in inventories		**(15,398)**	(9,241)
– Employee compensation	7	**(7,809)**	(7,519)
– Depreciation	20,21	**(1,979)**	(1,665)
– Finance	8	**(4)**	(81)
– Other	9	**(11,406)**	(7,981)
Total expenses		**(74,811)**	(89,701)
Loss before income tax		**(18,297)**	(8,456)
Income tax (expense)/credit	10	**(797)**	505
Total loss		**(19,094)**	(7,951)
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation	29(b)	**(276)**	(311)
Available-for-sale financial assets			
– Fair value (losses)/gains	29(b)	**(33)**	31
– Reclassification	29(b)	**(80)**	(502)
Other comprehensive loss, net of tax		**(389)**	(782)
Total comprehensive loss		**(19,483)**	(8,733)
Loss attributable to equity holders of the Company		**(19,094)**	(7,951)
Total comprehensive loss attributable to equity holders of the Company		**(19,483)**	(8,733)
Losses per share for loss attributable to equity holders of the Company (cents per share)	11		
– Basic		**(15.48)**	(6.45)
– Diluted		**(15.48)**	(6.45)

The accompanying notes form an integral part of these financial statements.

BALANCE SHEETS

AS AT 30 JUNE 2016

	Note	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
ASSETS					
Current assets					
Cash and cash equivalents	12	**53,614**	44,279	**15,821**	8,467
Trade and other receivables	13	**13,936**	25,314	**10,342**	16,297
Inventories	14	**29,628**	45,026	**14,559**	22,286
Other current assets	15	**404**	188	**202**	90
Tax recoverable	10	**52**	33	**–**	30
Derivative financial instruments	16	**99**	–	**99**	–
		97,733	114,840	**41,023**	47,170
Non-current assets					
Other receivables	13	**–**	32	**–**	32
Available-for-sale financial assets	17	**20,312**	20,677	**20,312**	20,677
Investment in club membership		**36**	43	**–**	–
Investment in subsidiaries	18	**–**	–	**9,457**	9,457
Loan to a subsidiary	19	**–**	–	**29,041**	28,829
Investment properties	20	**34,887**	34,130	**27,975**	27,127
Property, plant and equipment	21	**21,529**	23,031	**140**	170
Deferred income tax assets	23	**15**	649	**–**	356
		76,779	78,562	**86,925**	86,648
Total assets		**174,512**	193,402	**127,948**	133,818
LIABILITIES					
Current liabilities					
Trade and other payables	24	**7,183**	6,479	**4,865**	4,187
Current income tax liabilities	10	**–**	5	**–**	–
Borrowings	25	**584**	408	**584**	408
Provision for directors' retirement gratuity	26	**50**	–	**50**	–
		7,817	6,892	**5,499**	4,595
Non-current liabilities					
Deferred income tax liabilities	23	**197**	–	**–**	–
Provision for directors' retirement gratuity	26	**573**	485	**573**	485
		770	485	**573**	485
Total liabilities		**8,587**	7,377	**6,072**	5,080
NET ASSETS		**165,925**	186,025	**121,876**	128,738
EQUITY					
Share capital	28	**107,485**	107,485	**107,485**	107,485
Treasury shares	28	**(2,498)**	(2,498)	**(2,498)**	(2,498)
Other reserves	29	**(2,035)**	(1,646)	**1,449**	1,562
Retained profits		**62,973**	82,684	**15,440**	22,189
Total equity		**165,925**	186,025	**121,876**	128,738

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Note	Attributable to equity holders of the Company						
		Share capital $'000	Treasury shares $'000	Other reserves $'000	Currency translation reserves $'000	Fair value reserves $'000	Retained profits $'000	Total equity $'000
2016								
Beginning of financial year		**107,485**	**(2,498)**	**(477)**	**(1,301)**	**132**	**82,684**	**186,025**
Dividends paid	27	–	–	–	–	–	(617)	(617)
Loss after tax		–	–	–	–	–	(19,094)	(19,094)
Other comprehensive loss for the year		–	–	–	(276)	(113)	–	(389)
Total comprehensive loss for the year		**–**	**–**	**–**	**(276)**	**(113)**	**(19,094)**	**(19,483)**
End of financial year		**107,485**	**(2,498)**	**(477)**	**(1,577)**	**19**	**62,973**	**165,925**
2015								
Beginning of financial year		**107,485**	**(2,498)**	**(477)**	**(990)**	**603**	**96,802**	**200,925**
Dividends paid	27	–	–	–	–	–	(6,167)	(6,167)
Loss after tax		–	–	–	–	–	(7,951)	(7,951)
Other comprehensive loss for the year		–	–	–	(311)	(471)	–	(782)
Total comprehensive loss for the year		**–**	**–**	**–**	**(311)**	**(471)**	**(7,951)**	**(8,733)**
End of financial year		**107,485**	**(2,498)**	**(477)**	**(1,301)**	**132**	**82,684**	**186,025**

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Note	2016 $'000	2015 $'000
Cash flows from operating activities			
Total loss		**(19,094)**	(7,951)
Adjustments for:			
– Income tax expense/(credit)		**797**	(505)
– Impairment of goodwill		**–**	4,630
– Depreciation		**1,979**	1,665
– Gain on disposal property, plant and equipment		**(1)**	(2)
– Reclassification from other comprehensive income on disposal of available-for-sale financial assets		**(80)**	(502)
– Impairment losses on available-for-sale financial assets		**468**	–
– Interest income		**(1,060)**	(1,142)
– Interest expense		**–**	3
– Unrealised currency translation loss/(gains)		**191**	(445)
– Dividend income		**(210)**	(138)
		(17,010)	(4,387)
Change in working capital			
– Inventories		**15,398**	9,241
– Trade and other receivables		**11,410**	12,661
– Derivative financial instruments		**(99)**	–
– Other current assets		**(216)**	(43)
– Trade and other payables		**704**	(6,722)
– Provision for directors' retirement gratuity		**138**	(477)
Cash provided by operations		**10,325**	10,273
Income tax refunded/(paid)		**10**	(911)
Interest received		**1,060**	1,194
Net cash provided by operating activities		**11,395**	10,556
Cash flows from investing activities			
Property, plant and equipment			
– Purchases		**(100)**	(199)
– Proceeds from disposal		**8**	2
Additions to investment properties		**(1,232)**	(8,038)
Available-for-sale financial assets			
– Purchases		**(1,839)**	(5,204)
– Proceeds from disposal		**1,512**	3,807
Dividends received		**210**	138
Net cash used in investing activities		**(1,441)**	(9,494)
Cash flows from financing activities			
Proceeds from trust receipts		**5,260**	11,372
Repayment of trust receipts		**(5,084)**	(11,812)
Dividends paid to shareholders		**(617)**	(6,167)
Interest paid		**–**	(3)
Net cash used in financing activities		**(441)**	(6,610)
Net increase/(decrease) in cash and cash equivalents		**9,513**	(5,548)
Cash and cash equivalents at beginning of the financial year	12	**44,279**	50,029
Effects of currency translation on cash and cash equivalents		**(178)**	(202)
Cash and cash equivalents at end of the financial year	12	**53,614**	44,279

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL INFORMATION

Hupsteel Limited (the "Company") is listed on the Singapore Exchange and incorporated and domiciled in Singapore. The address of its registered office is 116 Neythal Road, Singapore 628603.

The principal activities of the Company consist of trading in industrial steel products and investment holding.

The principal activities of its subsidiaries are set out in Note 18 to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2015

There are no new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application for the current financial year. As such, no changes to the Group's accounting policies have been made.

2.2 Revenue recognition

Sales comprise the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Sales are presented, net of goods and services tax, rebates and discounts, and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, when it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

(a) Sale of goods – industrial steel and general hardware products

Revenue from these sales is recognised when the Group has delivered the products to the customers in accordance with the contractual terms and the customers have accepted the products in accordance with the sales contract. For sales on bill and hold arrangements, revenue is recognised upon delivery.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Revenue recognition (Continued)

(b) Rendering of services – Racking services

Revenue from services is recognised over the period in which the services are rendered.

(c) Rental income

Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term.

(d) Dividend income

Dividend income is recognised when the right to receive payment is established.

(e) Interest income

Interest income, including income from other financial instruments, is recognised using the effective interest method.

2.3 Group accounting

Subsidiaries

(i) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns with its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Group accounting (Continued)

Subsidiaries (Continued)

(ii) Acquisitions

The acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill. Please refer to the paragraph "Goodwill on acquisitions" for the subsequent accounting policy on goodwill.

(iii) Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained profits if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiaries/loan to subsidiary" for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Property, plant and equipment

(a) Measurement

(i) Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) Component of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs (refer to Note 2.6 on borrowing costs).

(b) Depreciation

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Leasehold land and buildings	25 to 50 years
Motor vehicles	4 to 10 years
Furniture, fittings and equipment	3 to 10 years
Plant and machinery	3 to 10 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

(c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "Other gains and losses".

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Goodwill on acquisitions

Goodwill on acquisitions of subsidiaries and business on or after 1 January 2010 represents the excess of (a) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (b) the fair value of the identifiable net assets acquired.

Goodwill on acquisition of subsidiaries and businesses prior to 1 January 2010 represents the excess of the cost of the acquisition over the fair value of the Group's share of the identifiable net assets acquired.

Goodwill previously recognised as a deduction from equity as a separate capital reserve are not recognised in the opening balance sheet during the first time adoption of Singapore Financial Reporting Standards in 2001.

Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Gains and losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the entity sold, except for goodwill arising from acquisitions prior to 1 January 2001. Such goodwill was adjusted against equity in the year of acquisition and is not recognised in profit or loss on disposal.

2.6 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to the construction or development of properties and assets under construction. This includes those costs on borrowings acquired specifically for the construction or development of properties and assets under construction as well as those in relation to general borrowings used to finance the construction of properties and assets under construction.

2.7 Investment properties

Investment properties comprise significant portions of freehold industrial building and warehouses that are held for long-term rental yields and/or for capital appreciation or for a currently indeterminate use. Investment properties include properties that are being constructed or developed for future use as investment properties.

Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Freehold land on which the freehold industrial building and warehouses are sitting on is not depreciated. Depreciation on other items of investment properties is calculated using a straight-line method to allocate the depreciable amounts over the estimated useful lives of 50 years. The residual value, useful lives and depreciation method of investment properties are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are included in profit or loss when the changes arise.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Investment properties (Continued)

Certain freehold land and buildings were revalued by independent professional valuers on the basis of open market with existing use for the purposes of the initial public offering of shares of the Company and the listing of the Company's shares on the Singapore Exchange.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are recognised in profit or loss. The cost of maintenance, repairs and minor improvements is recognised in profit or loss when incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

Any amount in the asset revaluation reserve is transferred to retained profits directly upon disposal of the investment property.

2.8 Investments in subsidiaries/loan to subsidiary

Investments in subsidiaries, including loans that are considered as part of net investment in subsidiaries based on the economic substance of the loan, are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.9 Impairment of non-financial assets

(a) Goodwill

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Impairment of non-financial assets (Continued)

(b) Investment in club membership
Property, plant and equipment
Investment properties
Investments in subsidiaries

Investment in club membership, property, plant and equipment, investment properties and investments in subsidiaries are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables" (note 13), "cash and cash equivalents" (note 12) and deposits within "other current assets" (note 15) on the balance sheet.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless the investment matures or management intends to dispose off the assets within 12 months after the balance sheet date.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount in other comprehensive income relating to that asset is reclassified to profit or loss.

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs.

(d) Subsequent measurement

Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial assets (Continued)

(d) Subsequent measurement (Continued)

Interest and dividend income on available-for-sale financial assets, are recognised separately in other income. Changes in the fair values of available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in profit or loss and the other changes are recognised in other comprehensive income and accumulated in the fair value reserve. Changes in the fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in other comprehensive income and accumulated in the fair value reserve, together with the related currency translation differences.

(e) Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(i) Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

(ii) Available-for-sale financial assets

In addition to the objective evidence of impairment described in Note 2.10(e)(i), a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial assets is impaired.

If any evidence of impairment exists, the cumulative loss that was previously recognised in other comprehensive income is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised as an expense. The impairment losses recognised as an expense on equity securities are not reversed through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

2.12 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.13 Derivative financial instruments

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

2.14 Fair value estimation of financial assets and liabilities

The fair value of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices for financial liabilities are the current asking prices.

The fair values of currency forwards are determined using actively quoted forward exchange rates.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Leases

(a) When the Group is the lessee:

The Group leases land and certain office equipment under operating leases from non-related parties.

Lessee – Operating leases

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

(b) When the Group is the lessor:

The Group leases investment properties under operating leases to non-related parties.

Lessor – Operating leases

Leases of investment properties where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

2.16 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.17 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Income taxes (Continued)

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expenses in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2.18 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

2.19 Currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Singapore Dollars, which is the functional currency of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any borrowings forming part of the net investment of the foreign operation are repaid, a proportionate share of the accumulated translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within "finance cost". All other foreign exchange gains and losses impacting profit or loss are presented in the income statement within "other gains and losses".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(c) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing exchange rate at the date of the balance sheet;

(ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) All resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

2.21 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value.

2.22 Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the consideration paid including any directly attributable incremental cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

2.23 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical judgements in applying the entity's accounting policies

(a) Estimated allowance of inventory write-down

The Group is exposed to risk of slow-moving and/or obsolete inventory, and volatility in steel product selling prices. Therefore the Group assesses whether any allowance is required to reflect the carrying value of inventory in accordance with Note 2.16.

The identification of these inventory items and determination of the net realisable value involve critical management judgement, where management identifies these items based on historical and expected future sales trend, and estimates the net realisable values based on the current market outlook. If there are adverse changes to these assumptions, this may result in further write-down of the inventory balance.

At the balance sheet date, the carrying amount of inventory and the amount of inventory assessed to be written down for the financial year are disclosed in Note 14.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (Continued)

3.1 Critical judgements in applying the entity's accounting policies (Continued)

(b) Estimated allowances for impairment of receivables

The Group makes allowance for impairment of receivables based on management's assessment of the recoverability of trade receivables. Allowances for impairment of receivables are applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful receivables involves management judgement, as management identifies receivables with objective evidence of impairment based on credit ageing profile, historical customer repayment trend and whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the customer operates in.

Out of the total receivables as at balance sheet date, certain receivables for the Group and the Company amounting to $5,427,000 and $165,000 respectively relate to customers exposed to specific industrial/geographical risk profile with slow or no payments as at year end. The management has performed impairment assessment following such indicators and keeping in view the financial capability of the customers, concluded that these balances are to be impaired since the customers are not expected to be able to pay in due course.

4. REVENUE

	Group	
	2016	**2015**
	$'000	**$'000**
Sale of goods	**55,035**	82,364
Services rendered	**715**	1,291
	55,750	83,655

5. OTHER INCOME

	Group	
	2016	**2015**
	$'000	**$'000**
Rental income (Note 20)	**620**	731
Dividend income	**210**	138
Sale of scrap metal	**30**	11
Interest income from:		
– fixed deposits	**280**	351
– available-for-sale financial assets	**772**	787
– other	**8**	4
	1,060	1,142
Sundry income	**108**	127
	2,028	2,149

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

6. OTHER GAINS AND LOSSES

	Group	
	2016	**2015**
	$'000	**$'000**
Currency translation losses – net	**(976)**	(433)
Gain on disposal of property, plant and equipment	**1**	2
Impairment loss of goodwill (Note 22)	**–**	(4,630)
Fair value gain on derivative financial instruments not qualifying as hedges	**99**	–
Available-for-sale financial assets		
– Impairment losses (Note 17)	**(468)**	–
– Reclassification from other comprehensive income on disposal [Note 29(b)(iv)]	**80**	502
	(388)	502
	(1,264)	(4,559)

7. EMPLOYEE COMPENSATION

	Group	
	2016	**2015**
	$'000	**$'000**
Wages and salaries	**6,545**	6,399
Directors' fees	**296**	296
Employer's contribution to defined contribution plans including Central Provident Fund	**830**	778
Retirement gratuity (Note 26)	**138**	46
	7,809	7,519

8. FINANCE EXPENSE

	Group	
	2016	**2015**
	$'000	**$'000**
Interest expense on:		
– trust receipts	**–**	3
Currency translation losses – net	**4**	78
	4	81

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

9. OTHER EXPENSES

	Group	
	2016	**2015**
	$'000	**$'000**
Rental expense on operating leases	**912**	897
Outward freight and handling charges	**1,771**	1,849
Impairment loss on trade receivables – net [Note 31(b)(ii)]	**5,050**	1,918
Legal and professional charges*	**375**	286
Property taxes	**739**	772
Repairs and maintenance	**846**	375
Upkeep of motor vehicles	**222**	302
Utilities	**76**	117
Bank charges	**190**	164
Travel and entertainment	**198**	223
Insurance expense	**123**	124
Telecommunication expense	**82**	85
Other	**822**	869
	11,406	7,981

* Included in the legal and professional charges are fees paid to auditors of the Company, for audit services for the financial year ended 30 June 2016, of $132,000 (2015: $130,000). There are no non-audit services fees paid to auditors of the Company for the financial year ended 30 June 2016 and 2015.

10. INCOME TAXES

(a) Income tax expense/(credit)

	Group	
	2016	**2015**
	$'000	**$'000**
Tax expense/(credit) attributable to loss is made up of:		
Current income tax		
– Foreign	**8**	50
	8	50
Deferred income tax (Note 23)	**825**	(551)
	833	(501)
Over provision in preceding financial years		
– current income tax	**(36)**	(4)
Total	**797**	(505)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

10. INCOME TAXES (Continued)

(a) Income tax expense/(credit) (Continued)

The tax on the Group's loss for the year differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	Group	
	2016 $'000	**2015 $'000**
Loss before tax	**(18,297)**	(8,456)
Tax calculated at tax rate of 17% (2015: 17%)	**(3,110)**	(1,438)
Effects of:		
– Effect of different tax rate in other country	**(36)**	(52)
– Expenses not deductible for tax purposes	**660**	1,160
– Income not subject to tax	**(79)**	(136)
– Tax incentives	**(14)**	(82)
– Unrecognised deferred tax assets	**3,428**	–
– Tax losses carried back	**–**	55
– Over provision of tax in prior financial year	**(36)**	(4)
– Others	**(16)**	(8)
Tax charge/(credit)	**797**	(505)

(b) Movement in current income tax (recoverable)/liabilities

	Group		Company	
	2016 $'000	**2015 $'000**	**2016 $'000**	**2015 $'000**
Beginning of financial year	**(28)**	840	**(30)**	480
Income tax refunded/(paid)	**10**	(911)	**22**	(509)
Tax expense	**8**	50	**8**	7
Over provision in preceding financial year	**(36)**	(4)	**–**	(8)
Currency translation differences	**(6)**	(3)	**–**	–
End of financial year	**(52)**	(28)	**–**	(30)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

11. LOSSES PER SHARE

(a) Basic losses per share

Basic losses per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Total	
	2016	**2015**
Loss attributable to equity holders of the Company ($'000)	**(19,094)**	(7,951)
Weighted average number of ordinary shares outstanding for basic losses per share ('000)	**123,355**	123,355
Basic losses per ordinary share (cents)	**(15.48)**	(6.45)

The weighted average number of ordinary shares outstanding during the financial year ended 30 June 2016 and 2015 have been adjusted for the share consolidation of 5 shares to 1 share completed on 8 January 2016 (Note 28).

(b) Diluted losses per share

Diluted losses per share is the same as the basic losses per share.

12. CASH AND CASH EQUIVALENTS

	Group		Company	
	2016 $'000	**2015 $'000**	**2016 $'000**	**2015 $'000**
Cash and bank balances	**37,800**	32,504	**14,821**	8,467
Short-term bank deposits	**15,814**	11,775	**1,000**	–
	53,614	44,279	**15,821**	8,467

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

13. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
Current				
Trade receivables				
– Non-related parties	**18,612**	26,798	**4,404**	6,844
– Subsidiaries	**–**	–	**5,209**	8,538
Less: Allowance for impairment of receivables – non-related parties [Note 31(b)(ii)]	**(5,427)**	(2,002)	**(165)**	–
Trade receivables – net	**13,185**	24,796	**9,448**	15,382
Goods and services tax receivables	**301**	226	**170**	226
Other receivables	**168**	46	**34**	28
Interest receivable	**282**	246	**216**	211
Non-trade receivables from subsidiaries	**–**	–	**474**	450
	13,936	25,314	**10,342**	16,297
Non-current				
Other receivables	**–**	32	**–**	32

Non-trade receivables from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

14. INVENTORIES

	Group		Company	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
Finished goods	**29,628**	45,026	**14,559**	22,286

The cost of inventories recognised as an expense amounts to $53,613,000 (2015: $72,455,000).

During the financial year, the Group recognised an inventory write-down of $10,565,000 (2015: $3,250,000) as a result of management's assessment on the adequacy of inventory allowance as described in Note 3.1(a). The write-down was included in "changes in inventories".

15. OTHER CURRENT ASSETS

	Group		Company	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
Deposits	**30**	28	**9**	10
Prepayments	**374**	160	**193**	80
	404	188	**202**	90

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

16. DERIVATIVE FINANCIAL INSTRUMENTS

	Group			Company		
	Contract notional amount $'000	Fair value		Contract notional amount $'000	Fair value	
		Asset $'000	Liability $'000		Asset $'000	Liability $'000
2016						
Non-hedging instruments						
– Currency forwards	5,751	99	–	5,751	99	–
2015						
Non-hedging instruments						
– Currency forwards	5,510	–	–	5,510	–	–

Derivative financial instruments comprise fair value gains of the United States Dollar/Singapore Dollar currency forwards used to manage the exposure from committed purchases of inventories in foreign currencies.

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Beginning of financial year	**20,677**	18,804	**20,677**	18,804
Additions	**1,839**	5,204	**1,839**	5,204
Disposals	**(1,512)**	(3,807)	**(1,512)**	(3,807)
Impairment losses (Note 6)	**(468)**	–	**(468)**	–
Currency translation (losses)/gains	**(191)**	445	**(191)**	445
Fair value (losses)/gains recognised in other comprehensive income [Note 29(b)(iv)]	**(33)**	31	**(33)**	31
End of financial year	**20,312**	20,677	**20,312**	20,677

Available-for-sale financial assets are analysed as follows:

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Listed securities				
– Equity securities – Singapore	**2,756**	3,086	**2,756**	3,086
– Equity securities – US	**952**	937	**952**	937
– Equity securities – Others	**707**	971	**707**	971
– Debt securities – SGD	**9,354**	9,515	**9,354**	9,515
– Debt securities – USD	**6,543**	6,168	**6,543**	6,168
	20,312	20,677	**20,312**	20,677

During the financial year, the Group recognised an impairment loss of $468,000 (2015: $nil) against equity securities whose trade prices either had been significantly below cost, or had been below cost for a prolonged period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

18. INVESTMENT IN SUBSIDIARIES

	Company	
	2016 $'000	2015 $'000
Equity investments at cost	**9,457**	9,457

The particulars of the subsidiaries are as follows:

Name	Country of Incorporation/ business	Principal activities	Effective Interest		Cost of unquoted equity investment	
			2016 %	2015 %	2016 $'000	2015 $'000
Held by the Company						
Eastern Win Metals & Machinery Pte Ltd[1]	Singapore	General hardware trading and racking services	**100**	100	**364**	364
Metal House Investment Pte Ltd[1]	Singapore	Property investment holding	**100**	100	**6,000**	6,000
Hup Seng Huat Land Pte Ltd[1]	Singapore	Investment holding, property investment holding and logistics services	**100**	100	**1,050**	1,050
Thong Seng Metal Pte Ltd[1]	Singapore	Steel product trading	**100**	100	**300**	300
Pressure Products Sdn. Bhd.[2][3]	Malaysia	Steel product trading	**100**	100	**1,743**	1,743
					9,457	9,457
Held by subsidiary						
Hoe Seng Huat Pte. Ltd.[1]	Singapore	Steel product trading	**100**	100	**20,000**	20,000

(1) Audited by PricewaterhouseCoopers LLP, Singapore

(2) Audited by Folks DFK & Co.

(3) In accordance to Rule 716 of The Singapore Exchange Securities Trading Limited – Listing Rules, the Audit Committee and Board of Directors of the Company confirmed that they are satisfied that the appointment of different auditors for its subsidiaries would not compromise the standard and effectiveness of the audit of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

19. LOAN TO A SUBSIDIARY

	Company	
	2016	**2015**
	$'000	**$'000**
Non-current		
Loan due after 12 months	**29,041**	28,929

The loan to a subsidiary is unsecured and interest-free. It has no fixed terms of repayment and is not expected to be repaid in the next 12 months from the balance sheet date. The loan to a subsidiary is considered as part of net investment in subsidiary based on the economic substance of the loan.

20. INVESTMENT PROPERTIES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Cost or revalued amount				
Beginning of financial year	**40,519**	31,828	**28,811**	20,120
Additions	**1,232**	8,691	**1,232**	8,691
End of financial year	**41,751**	40,519	**30,043**	28,811
Representing:				
Cost	**22,423**	21,191	**22,215**	20,983
Revalued amount*	**19,328**	19,328	**7,828**	7,828
	41,751	40,519	**30,043**	28,811
Accumulated depreciation				
Beginning of financial year	**6,389**	6,286	**1,684**	1,672
Depreciation charge	**475**	103	**384**	12
End of financial year	**6,864**	6,389	**2,068**	1,684
Net book value	**34,887**	34,130	**27,975**	27,127

* Investment properties comprising freehold land and buildings of the Group and the Company were revalued by the directors based on a valuation carried out by independent professional valuers on the basis of open market value with existing use. The valuation was carried out in August 1992 for the purpose of updating the book value of the freehold properties for the initial public offering of shares of the Company and the listing of the Company's shares on the Singapore Exchange.

A revaluation surplus was recognised in the asset revaluation reserve account. The Group has no policy on the frequency of valuation of its investment properties.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

20. INVESTMENT PROPERTIES (Continued)

The following amounts are recognised in profit or loss in relation to investment properties:

	Group	
	2016	**2015**
	$'000	**$'000**
Rental income (Note 5)	**620**	731
Direct operating expenses arising from:		
– Investment properties that generate rental income	**(739)**	(228)
– Investment properties that do not generate rental income	**(491)**	(163)

Investment properties are leased to non-related parties under operating leases [Note 30(c)].

If all investment properties had been included in the financial statements at cost less accumulated depreciation, the net book value of investment properties for the Group and the Company would have been $31,397,000 (2015: $30,641,000) and $24,528,000 (2015: $23,681,000) respectively.

As at 30 June 2016, the fair value of investment properties is $79,600,000 (2015: $79,720,000) as determined by independent professional valuers based on the properties' highest-and-best-use using the Market Comparison Method.

See Note 21 for details relating to investment properties.

Valuation techniques and processes

The Group engages an external, independent and qualified valuer to determine the fair value of the investment properties at the end of every financial year based on the properties' highest-and-best-use.

The fair values of the Group's investment properties, classified as Level 3 of the fair value hierarchy, have been derived using Market Comparison Method.

The Market Comparison Method involves analysis of recent transactions of comparable properties within the vicinity and elsewhere in Singapore. Necessary comparisons and adjustments have been made for the differences in location, tenure, size, age, condition, standard of finishes, date of sale, amongst other factors.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

21. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings $'000	Motor vehicles $'000	Furniture, fittings and equipment $'000	Plant and machinery $'000	Total $'000
Group					
2016					
Cost					
Beginning of financial year	31,354	1,770	2,332	3,234	38,690
Currency translation differences	(111)	(9)	(17)	(3)	(140)
Additions	–	66	32	2	100
Disposals	–	(56)	(7)	(1)	(64)
End of financial year	31,243	1,771	2,340	3,232	38,586
Accumulated depreciation and impairment losses					
Beginning of financial year	9,966	1,310	2,017	2,366	15,659
Currency translation differences	(20)	(9)	(17)	(3)	(49)
Depreciation charge	1,093	140	94	177	1,504
Disposals	–	(53)	(3)	(1)	(57)
End of financial year	11,039	1,388	2,091	2,539	17,057
Net book value					
End of financial year	**20,204**	**383**	**249**	**693**	**21,529**
2015					
Cost					
Beginning of financial year	31,473	1,768	3,101	3,194	39,536
Currency translation differences	(119)	(12)	(19)	(3)	(153)
Additions	–	31	125	43	199
Disposals	–	(17)	(875)	–	(892)
End of financial year	31,354	1,770	2,332	3,234	38,690
Accumulated depreciation and impairment losses					
Beginning of financial year	8,888	1,190	2,787	2,173	15,038
Currency translation differences	(18)	(9)	(19)	(3)	(49)
Depreciation charge	1,096	146	124	196	1,562
Disposals	–	(17)	(875)	–	(892)
End of financial year	9,966	1,310	2,017	2,366	15,659
Net book value					
End of financial year	**21,388**	**460**	**315**	**868**	**23,031**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

21. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Motor vehicles $'000	Furniture, fittings and equipment $'000	Total $'000
Company			
2016			
Cost			
Beginning of financial year	129	1,277	1,406
Additions	–	24	24
Disposals	–	(3)	(3)
End of financial year	129	1,298	1,427
Accumulated depreciation			
Beginning of financial year	113	1,123	1,236
Depreciation charge	13	39	52
Disposals	–	(1)	(1)
End of financial year	126	1,161	1,287
Net book value			
End of financial year	**3**	**137**	**140**
2015			
Cost			
Beginning of financial year	129	2,086	2,215
Additions	–	66	66
Disposals	–	(875)	(875)
End of financial year	129	1,277	1,406
Accumulated depreciation			
Beginning of financial year	100	1,945	2,045
Depreciation charge	13	53	66
Disposals	–	(875)	(875)
End of financial year	113	1,123	1,236
Net book value			
End of financial year	**16**	**154**	**170**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

21. PROPERTY, PLANT AND EQUIPMENT (Continued)

The properties of the Group are as follows:

Description	Location	Floor area square metres	Site area square metres	Tenure	Leasehold Term
Classified as investment properties					
Warehouse with 7-storey office block annexe	6 Kim Chuan Drive Singapore	7,210	3,076	Freehold	–
2-storey shophouse	359 Jalan Besar Singapore	255	142	Freehold	–
2-storey shophouse	365/365A Jalan Besar, Singapore	327	158	Freehold	–
Office units	27 Foch Road #05-04/05/06/07 Hoa Nam Building Singapore	128	–	Freehold	–
7-storey industrial building	38 Genting Lane Singapore	4,040	2,103	Freehold	–
Classified as property, plant and equipment					
Warehouse with 5-storey office block annexe	116 Neythal Road Singapore	33,816	29,518	Leasehold	30 years from 2001
Warehouse	155 Gul Circle Singapore	7,091	13,601	Leasehold	30 years from 2009
Single-storey terraced factory	Lot MC 0259 Subang Industrial Park, Malaysia	149	149	Leasehold	99 years from 1992
Factory	Lot 1 Kawasan MIEL Phase 10 Section 23 Shah Alam, Malaysia	2,594	5,300	Leasehold	99 years from 1995

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

22. GOODWILL

	Group 2015 $'000
Goodwill arising on acquisition of business:	
Cost	
Beginning and end of financial year	4,630
Accumulated impairment	
Beginning of financial year	–
Impairment charge (Note 6)	(4,630)
	(4,630)
Net book value	–

Goodwill was allocated to the Group's cash generating unit ("CGU") identified as the hardware operations of its subsidiary, Hoe Seng Huat Pte. Ltd..

The recoverable amount of a CGU was determined based on value-in-use calculations. These calculations used cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period were extrapolated using the estimated growth rates stated below. The growth rate did not exceed the long-term average growth rate for the hardware business in which the CGU operates.

In the previous financial year, an impairment charge of $4,630,000 was included within "other gains and losses" (Note 6) in the statement of comprehensive income. The impairment charge arose mainly due to declining customer demand from the marine sector as a result of the current depressed economic conditions.

Key assumptions used for value-in-use calculations:

	2015
Gross margin[1]	8-10%
Short-term growth rate[2]	3%
Long-term growth rate[3]	2%
Discount rate[4]	7%

1 Budgeted gross margin

2 Growth rate used to project cash flows within the budget period

3 Growth rate used to extrapolate cash flows beyond the budget period

4 Pre-tax discount rate applied to the cash flow projections

These assumptions were used for the analysis of the CGU. Management determined budgeted gross margin based on past performance and expectations of market developments. The growth rate used was consistent with the forecasts included in industry reports. The discount rates used were pre-tax and reflected specific risks relating to the business.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

23. DEFERRED INCOME TAXES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

	Group		Company	
	2016 $'000	**2015 $'000**	**2016 $'000**	**2015 $'000**
Deferred income tax assets				
– to be recovered within one year	**(15)**	(77)	**–**	(114)
– to be recovered after one year	**–**	(572)	**–**	(242)
	(15)	(649)	**–**	(356)
Deferred income tax liabilities				
– to be recovered within one year	**20**	–	**–**	–
– to be recovered after one year	**177**	–	**–**	–
	197	–	**–**	–

The movement in the deferred income tax account are as follows:

	Group		Company	
	2016 $'000	**2015 $'000**	**2016 $'000**	**2015 $'000**
Beginning of financial year	**(649)**	(106)	**(356)**	(218)
Tax charged/(credited) to profit or loss [Note 10(a)]	**825**	(551)	**356**	(138)
Currency translation differences	**6**	8	**–**	–
End of the financial year	**182**	(649)	**–**	(356)

Deferred income tax assets are recognised for deductible temporary differences, and capital allowances and tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group and Company have the following items for which deferred income tax assets have not been recognised:

	Group		Company	
	2016 $'000	**2015 $'000**	**2016 $'000**	**2015 $'000**
– Unutilised capital allowances	**155**	–	**81**	–
– Unutilised tax losses	**17,720**	–	**5,622**	–
– Unutilised donations	**36**	–	**36**	–
– Provisions	**1,163**	–	**685**	–
– Other deductible temporary differences	**473**	–	**–**	–
	19,547	–	**6,424**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

23. DEFERRED INCOME TAXES (Continued)

These items can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements in their respective countries of incorporation. These items have no expiry date except for donations, which will expire between 2020 and 2021.

The movement in the deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) is as follows:

Group

Deferred income tax liabilities

	Accelerated Tax depreciation $'000	Total $'000
2016		
Beginning of financial year	264	264
Tax credited to profit or loss	(5)	(5)
End of financial year	259	259
2015		
Beginning of financial year	301	301
Tax credited to profit or loss	(37)	(37)
End of financial year	264	264

Deferred income tax assets

	Provisions $'000	Unutilised capital allowances $'000	Unutilised tax losses $'000	Unutilised donations $'000	Total $'000
2016					
Beginning of financial year	(341)	(11)	(555)	(6)	(913)
Tax charged to profit or loss	315	11	498	6	830
Currency translation differences	6	–	–	–	6
End of financial year	(20)	–	(57)	–	(77)
2015					
Beginning of financial year	(407)	–	–	–	(407)
Tax charged/(credited) to profit or loss	58	(11)	(555)	(6)	(514)
Currency translation differences	8	–	–	–	8
End of financial year	(341)	(11)	(555)	(6)	(913)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

23. DEFERRED INCOME TAXES (Continued)

Company

Deferred income tax liabilities

	Accelerated tax depreciation $'000	Total $'000
2016		
Beginning of the financial year	25	25
Tax credited to profit or loss	(6)	(6)
End of the financial year	19	19
2015		
Beginning of the financial year	26	26
Tax credited to profit or loss	(1)	(1)
End of the financial year	25	25

Deferred income tax assets

	Provisions $'000	Unutilised capital allowances $'000	Unutilised tax losses $'000	Unutilised donations $'000	Total $'000
2016					
Beginning of the financial year	(139)	(11)	(225)	(6)	(381)
Tax charged to profit or loss	120	11	225	6	362
End of the financial year	(19)	–	–	–	(19)
2015					
Beginning of the financial year	(244)	–	–	–	(244)
Tax charged/(credited) to profit or loss	105	(11)	(225)	(6)	(137)
End of the financial year	(139)	(11)	(225)	(6)	(381)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

24. TRADE AND OTHER PAYABLES

	Group		Company	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
Trade payables				
– Third parties	**3,569**	3,761	**1,525**	1,303
– Subsidiaries	**–**	–	**–**	287
Goods and services tax payable	**74**	416	**–**	–
Advances received from customers	**39**	49	**38**	48
Non-trade payables to subsidiaries	**–**	–	**1,154**	1,153
Other payables	**837**	257	**132**	94
Accrued operating expenses	**2,664**	1,996	**2,016**	1,302
	7,183	6,479	**4,865**	4,187

Non-trade payables to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

25. BORROWINGS

	Group		Company	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
Trust receipts (unsecured)	**584**	408	**584**	408

Security granted

There is no corporate guarantee provided to banks by the Company because there is no outstanding trust receipt owed by subsidiaries as at 30 June 2016 and 30 June 2015.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

26. PROVISION FOR DIRECTORS' RETIREMENT GRATUITY

	Group and Company	
	2016	**2015**
	$'000	**$'000**
– Current	**50**	–
– Non-current	**573**	485
	623	485

The movement of provision for directors' retirement gratuity in the balance sheet is as follows:

	Group and Company	
	2016	**2015**
	$'000	**$'000**
Beginning of the financial year	**485**	962
Provision made (Note 7)	**138**	46
Payment made to a director	**–**	(523)
End of the financial year	**623**	485

Retirement gratuity is available to certain directors of the Group. The retirement gratuity is calculated on a yearly basis and is based on a proportion of the directors' annual salary.

27. DIVIDENDS

	Group and Company	
	2016	**2015**
	$'000	**$'000**
Final dividend paid in respect of the previous financial year of 0.5 cent (2015: 5 cent*) per share	**617**	6,167

* Adjusted for share consolidation of 5 shares to 1 share completed on 8 January 2016 (Note 28).

At the Annual General Meeting on 22 October 2016, a final dividend of 1.0 cent per share amounting to a total of $1,234,000 will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 30 June 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

28. SHARE CAPITAL AND TREASURY SHARES

	← No. of ordinary shares →		← Amount →	
	Issued share capital '000	**Treasury shares '000**	**Share capital $'000**	**Treasury shares $'000**
Group and Company				
2016				
Beginning of financial year	627,371	(10,593)	107,485	(2,498)
Share consolidation	(501,897)	8,474	–	–
End of financial year	125,474	(2,119)	107,485	(2,498)
2015				
Beginning and end of financial year	627,371	(10,593)	107,485	(2,498)

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

During the financial year, the Company completed a share consolidation of 5 shares to 1 share.

29. OTHER RESERVES

	Group		**Company**	
	2016 $'000	**2015 $'000**	**2016 $'000**	**2015 $'000**
(a) Composition:				
Other reserves:				
– Asset revaluation reserve [Note 29(b)(i)]	**1,525**	1,525	**1,430**	1,430
– Goodwill arising from consolidation [Note 29(b)(ii)]	**(2,002)**	(2,002)	**–**	–
	(477)	(477)	**1,430**	1,430
Currency translation reserve [Note 29(b)(iii)]	**(1,577)**	(1,301)	**–**	–
Fair value reserve [Note 29(b)(iv)]	**19**	132	**19**	132
	(2,035)	(1,646)	**1,449**	1,562

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

29. OTHER RESERVES (Continued)

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
(b) Movements:				
(i) Asset revaluation reserve				
Beginning and end of financial year	**1,525**	1,525	**1,430**	1,430
(ii) Goodwill arising from consolidation				
Beginning and end of financial year	**(2,002)**	(2,002)	**–**	–
(iii) Currency translation reserve				
Beginning of financial year	**(1,301)**	(990)	**–**	–
Net currency translation differences of financial statements of foreign subsidiary	**(276)**	(311)	**–**	–
End of financial year	**(1,577)**	(1,301)	**–**	–
(iv) Fair value reserve				
Beginning of financial year	**132**	603	**132**	603
Available-for-sale financial assets – Fair value (losses)/gains (Note 17)	**(33)**	31	**(33)**	31
– Reclassification to profit or loss (Note 6)	**(80)**	(502)	**(80)**	(502)
End of financial year	**19**	132	**19**	132

Other reserves are non-distributable.

30. COMMITMENTS

(a) Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements are as follows:

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Investment properties	**–**	1,230	**–**	1,230

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

30. COMMITMENTS (Continued)

(b) Operating lease commitments – where the Group is a lessee

At the balance sheet date, the Group and Company have rental commitments under non-cancellable operating leases for leasehold properties. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	Group		Company	
	2016 $'000	**2015 $'000**	**2016 $'000**	**2015 $'000**
Not later than one year	**984**	924	**1,279**	1,279
Between one year and five years	**3,850**	3,691	**1,340**	137
Later than five years	**11,102**	11,393	**–**	–
	15,936	16,008	**2,619**	1,416

(c) Operating lease commitments – where the Group is a lessor

The Group and Company leases out its investment properties to third parties under non-cancellable operating rights.

The future minimum lease payments receivable under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables, are as follows:

	Group		Company	
	2016 $'000	**2015 $'000**	**2016 $'000**	**2015 $'000**
Not later than one year	**454**	524	**147**	228
Between one year and five years	**2**	121	**–**	115
	456	645	**147**	343

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

31. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to market risk (including currency risk and price risk), credit risk and liquidity risk. The Group uses financial instruments such as currency forwards to hedge certain financial risk exposures.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The management team then establishes detailed policies such as authority levels, oversight responsibility, risk identification and measurement, exposure limits and hedging strategies. Financial risk management is carried out by finance personnel. The finance personnel measure actual exposures against the limits set and prepare regular reports for the review by the management team and the Board of Directors.

(a) Market risk

(i) Currency risk

The Group operates in Asia with dominant operations in Singapore and Malaysia. Entities in the Group regularly transact in currencies other than their respective functional currencies ("foreign currencies").

Currency risk arises within entities in the Group when transactions are denominated in foreign currencies such as United States Dollar ("USD"), Malaysian Ringgit ("MYR") and Euro.

In addition, the Group is exposed to currency translation risk on net assets in foreign operations at Malaysia.

The Group's currency exposure based on the information provided to key management is as follows:

	SGD $'000	USD $'000	MYR $'000	EURO $'000	OTHER $'000	TOTAL $'000
2016						
Financial Assets						
Cash and cash equivalents	49,305	1,374	2,813	4	118	53,614
Trade and other receivables	10,549	2,125	1,201	59	2	13,936
Intra-group receivables	36,440	–	–	–	–	36,440
Other current assets	27	–	3	–	–	30
Available-for-sale financial assets	9,354	6,543	–	–	–	15,897
	105,675	10,042	4,017	63	120	119,917
Financial Liabilities						
Trade and other payables	4,304	2,219	321	2	298	7,144
Intra-group payables	36,440	–	–	–	–	36,440
Borrowings	–	125	–	459	–	584
	40,744	2,344	321	461	298	44,168
Net financial assets/(liabilities)	64,931	7,698	3,696	(398)	(178)	75,749
Less: Net financial assets denominated in the respective entity's functional currency	(70,543)	–	(3,696)	–	–	(74,239)
Add: Currency forwards	–	(5,652)	–	–	–	(5,652)
Currency exposure	(5,612)	2,046	–	(398)	(178)	(4,142)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

31. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(i) Currency risk (Continued)

	SGD $'000	USD $'000	MYR $'000	EURO $'000	OTHER $'000	TOTAL $'000
2015						
Financial Assets						
Cash and cash equivalents	33,450	2,698	7,990	5	136	44,279
Trade and other receivables	21,890	705	2,749	1	1	25,346
Intra-group receivables	39,673	–	–	–	–	39,673
Other current assets	24	–	4	–	–	28
Available-for-sale financial assets	9,515	6,168	–	–	–	15,683
	104,552	9,571	10,743	6	137	125,009
Financial Liabilities						
Trade and other payables	3,761	1,893	416	205	155	6,430
Intra-group payables	39,673	–	–	–	–	39,673
Borrowings	–	65	–	343	–	408
	43,434	1,958	416	548	155	46,511
Net financial assets/(liabilities)	61,118	7,613	10,327	(542)	(18)	78,498
Less: Net financial assets denominated in the respective entity's functional currency	(70,085)	–	(10,327)	–	–	(80,412)
Add: Currency forwards	–	(5,510)	–	–	–	(5,510)
Currency exposure	(8,967)	2,103	–	(542)	(18)	(7,424)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

31. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(i) Currency risk (Continued)

The Company's currency exposure based on the information provided to key management is as follows:

	SGD $'000	USD $'000	EURO $'000	OTHER $'000	TOTAL $'000
2016					
Financial Assets					
Cash and cash equivalents	14,812	890	4	115	15,821
Trade and other receivables	10,207	134	1	–	10,342
Other current assets	9	–	–	–	9
Available-for-sale financial assets	9,354	6,543	–	–	15,897
	34,382	7,567	5	115	42,069
Financial Liabilities					
Trade and other payables	3,671	1,155	1	–	4,827
Borrowings	–	125	459	–	584
	3,671	1,280	460	–	5,411
Net financial assets/(liabilities)	30,711	6,287	(455)	115	36,658
Less: Net financial assets denominated in the Company's functional currency	(30,711)	–	–	–	(30,711)
Add: Currency forwards	–	(5,652)	–	–	(5,652)
Currency exposure	–	635	(455)	115	295
2015					
Financial Assets					
Cash and cash equivalents	6,259	2,070	5	133	8,467
Trade and other receivables	15,625	703	1	–	16,329
Other current assets	10	–	–	–	10
Available-for-sale financial assets	9,515	6,168	–	–	15,683
	31,409	8,941	6	133	40,489
Financial Liabilities					
Trade and other payables	2,942	993	204	–	4,139
Borrowings	–	65	343	–	408
	2,942	1,058	547	–	4,547
Net financial assets/(liabilities)	28,467	7,883	(541)	133	35,942
Less: Net financial assets denominated in the Company's functional currency	(28,467)	–	–	–	(28,467)
Add: Currency forwards	–	(5,510)	–	–	(5,510)
Currency exposure	–	2,373	(541)	133	1,965

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

31. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(i) Currency risk (Continued)

If the USD and Euro change against the SGD by 5% (2015: 5%) with all other variables including tax rates being held constant, the effects arising on the net financial assets and liabilities position will be as follows:

	Increase/(Decrease)	
	2016	**2015**
	Loss after tax	**Loss after tax**
	S$'000	**S$'000**
Group		
USD against SGD		
– strengthened	**(85)**	(87)
– weakened	**85**	87
EURO against SGD		
– strengthened	**17**	22
– weakened	**(17)**	(22)
Company		
USD against SGD		
– strengthened	**(26)**	(98)
– weakened	**26**	98
EURO against SGD		
– strengthened	**19**	22
– weakened	**(19)**	(22)

(ii) Price risk

The Group is exposed to equity and debt securities price risk arising from the investments held by the Group which are classified as available-for-sale. These securities are listed in Singapore. To manage its price risk arising from investments in these securities, the Group diversifies its portfolio.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

31. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(ii) Price risk (Continued)

If prices for the equity securities and debt securities had changed by 10% and 5% respectively (2015: 10% and 5% respectively) with all other variables including tax rate being held constant, the effects on other comprehensive income would have been:

	← Increase/(Decrease) →	
	2016 Other comprehensive income $'000	**2015 Other comprehensive income $'000**
Group and Company		
Equity securities		
Increased by	**442**	499
Deceased by	**(442)**	(499)
Debt securities		
Increased by	**795**	784
Deceased by	**(795)**	(784)

(iii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's fixed deposits with banks, bank borrowings and fixed rate available-for-sale financial assets.

The Group and the Company has insignificant exposure to cash flow interest rate risk as the Group and the Company only has fixed rate borrowings.

The Group and Company are exposed to insignificant fair value interest rate risks arising mainly from its fixed rate available-for-sale financial assets and fixed rate borrowings.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

31. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and of the Company are bank deposits and trade receivables.

For trade receivables, the Group adopts the policy to enter into transactions with a diversity of credit worthy parties to mitigate any significant concentration of credit risk. The Group ensures that sales of products are made to customers with appropriate credit history, and monitors the granting of credit and management of credit exposures. The Group has made provisions, where necessary, for potential losses on credit extended. For other financial assets such as bank deposits, the Group adopts the policy of dealing only with high credit quality counterparties.

Exposure to credit risk

As the Group and Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

The trade receivables of the Group and of the Company comprise 3 debtors (2015: 3 debtors) and 5 debtors (2015: 5 debtors) respectively that individually represented 3% – 18% (2015: 3% – 16%) of trade receivables.

(i) Financial assets that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group. Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-ratings agencies.

(ii) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The age analysis of trade receivables past due but not impaired is as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Past due < 3 months	**6,690**	9,098	**1,605**	3,276
Past due 3 to 6 months	**642**	1,657	**193**	125
Past due over 6 months	**1,017**	6,181	**143**	251
	8,349	16,936	**1,941**	3,652

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

31. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

Exposure to credit risk (Continued)

(ii) Financial assets that are past due and/or impaired (Continued)

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	Group		Company	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
Gross amount	**5,433**	2,007	**165**	–
Less: Allowance for impairment	**(5,427)**	(2,002)	**(165)**	–
	6	5	**–**	–
Beginning of financial year	**2,002**	181	**–**	–
Currency translation difference	**(19)**	(13)	**–**	–
Allowance made (Note 9)	**5,050**	1,921	**165**	–
Write-back of allowance (Note 9)	**–**	(3)	**–**	–
Allowance utilised	**(1,606)**	(84)	**–**	–
End of financial year (Note 13)	**5,427**	2,002	**165**	–

The impaired trade receivables arise mainly from sales to specific customers which have defaulted on payment due to financial difficulties. The Group has since ceased sales to some of these customers, and only made sales to the other affected customers on cash terms.

(c) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and Company's liquidity risk management policy is to maintain sufficient liquid financial assets to meet their working capital requirements of their financial liabilities which comprise mainly borrowings and trade and other payables.

The table below analyses non-derivative financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flow.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

31. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

	Less than 1 year $'000
Group	
At 30 June 2016	
Trade and other payables	7,144
Borrowings	584
At 30 June 2015	
Trade and other payables	6,430
Borrowings	408
Company	
At 30 June 2016	
Trade and other payables	4,827
Borrowings	584
At 30 June 2015	
Trade and other payables	4,139
Borrowings	408

The table below analyses the derivative financial instruments of the Group and the Company for which contractual maturities are essential for an understanding of the timing of the cash flows into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year $'000
Group	
At 30 June 2016	
Gross-settled currency forwards	
– Receipts	5,751
– Payments	(5,652)
At 30 June 2015	
Gross-settled currency forwards	
– Receipts	5,510
– Payments	(5,510)
Company	
At 30 June 2016	
Gross-settled currency forwards	
– Receipts	5,751
– Payments	(5,652)
At 30 June 2015	
Gross-settled currency forwards	
– Receipts	5,510
– Payments	(5,510)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

31. FINANCIAL RISK MANAGEMENT (Continued)

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on a gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalent. Total capital is calculated as total equity plus net debt. The Group and Company is in net cash position for the financial year ended 30 June 2016 and 2015.

The Group is not subject to any externally imposed capital requirement for the financial year ended 30 June 2016 and 2015.

(e) Fair value measurements

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3)

Group	Level 1 $'000	Level 2 $'000	Total $'000
2016			
Assets			
Derivative financial instruments	–	99	99
Available-for-sale financial assets	20,312	–	20,312
2015			
Assets			
Available-for-sale financial assets	20,677	–	20,677

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

31. FINANCIAL RISK MANAGEMENT (Continued)

(e) Fair value measurements (Continued)

Company	Level 1 $'000	Level 2 $'000	Total $'000
2016			
Assets			
Derivative financial instruments	–	99	99
Available-for-sale financial assets	20,312	–	20,312
2015			
Assets			
Available-for-sale financial assets	20,677	–	20,677

The fair value of financial instruments traded in active market (such as available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group makes assumptions that are based on market conditions existing at each balance sheet date. The fair value of forward foreign exchange contracts is determined using quoted forward currency rates at the balance sheet date. These investments are classified as Level 2 and comprise derivative financial instruments.

The carrying amount less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated based on quoted market prices or dealer quotes for similar instruments by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The carrying amounts of current borrowings approximate their fair values.

(f) Financial instrument by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheet and in Note 16 and Note 17 to the financial statements, except for the following:

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Loans and receivables	**67,580**	69,653	**26,172**	24,806
Financial liabilities at amortised cost	**7,728**	6,838	**5,411**	4,547

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

32. RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

(a) Sale and purchases of goods and services

	Group		Company	
	2016 $'000	**2015 $'000**	**2016 $'000**	**2015 $'000**
With subsidiaries:				
Sale of finished goods	**–**	–	**3,932**	5,306
Purchases of finished goods	**–**	–	**(47)**	(34)
Management fee income	**–**	–	**121**	121
Other income	**–**	–	**1**	3
Logistics expenses	**–**	–	**(406)**	(535)
Rental expenses	**–**	–	**(1,230)**	(1,234)
With companies in which certain directors of the Company have substantial financial interests:				
Management fees paid	**73**	73	**–**	–

(b) Key management personnel compensation

Key management personnel compensation is as follows:

	Group		Company	
	2016 $'000	**2015 $'000**	**2016 $'000**	**2015 $'000**
Salaries and other short-term employee benefits	**2,600**	2,392	**2,137**	1,921
Employer's contribution to defined contribution plans, including Central Provident Fund	**145**	124	**107**	91
Retirement gratuity	**138**	46	**138**	46
	2,883	2,562	**2,382**	2,058

Included in above, total compensation to directors of the Group and Company amounted to $1,774,000 and $1,522,000 respectively (2015: $1,519,000 and $1,260,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

33. SEGMENT INFORMATION

Management has determined the operating segments based on reports received by the Executive Committee ("Exco") that are used to make strategic decisions. The Exco comprises the Executive Directors and they are assisted by the Chief Financial Officer, and the department heads of each business.

The Exco considers the business from both a geographic and business segment perspective. Geographically, management manages and monitors the business in the two primary geographic areas namely, Singapore and Malaysia. From a business segment perspective, management separately considers the sale of steel and hardware products, and rental income from properties in these geographic areas.

The following summary describes the operations of each reportable segment.

Reportable segments	**Operations**
Steel product trading	Sale of industrial steel products
Hardware trading	Sale of general hardware products
Property investment	Rental of properties

The segment information has been compiled using a consistent basis. The division of the Group's revenue and rental income, results and assets and liabilities into geographical and business segments has been ascertained by reference to direct identification to each particular segment.

Segment results comprise profit/(loss) before tax for the respective reportable segments and exclude the effects of interest income, interest expense and impairment loss on goodwill.

Segment assets comprise total assets allocated based on reportable segments and exclude tax assets.

Segment liabilities comprise total liabilities allocated based on reportable segments and exclude tax liabilities and borrowings.

Following an internal review of the segment information presentation in the annual report and having considered feedbacks from the Group's stakeholders, management has further enhanced the presentation within the annual report. Accordingly, the comparative information has been restated to conform with the current year presentation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

33. SEGMENT INFORMATION (Continued)

	Singapore			Malaysia	
	Steel product trading $'000	General hardware $'000	Property investment $'000	Steel product trading $'000	Total $'000
2016					
Total revenue and rental income	45,544	7,275	3,436	4,735	60,990
Inter-segment sales	(1,803)	(1)	(2,816)	–	(4,620)
External revenue and rental income	43,741	7,274	620	4,735	56,370
Segment results	(18,260)	932	(835)	(1,194)	(19,357)
Interest income					1,060
Income tax expense					(797)
Loss after tax					(19,094)
Segment results include the following items:					
Provision for inventory write-down	(10,453)	(62)	–	(50)	(10,565)
Allowance for trade receivables	(4,454)	–	–	(596)	(5,050)
Segment assets	121,243	8,226	36,758	8,218	174,445
Tax assets					67
Total assets					174,512
Segment liabilities	6,029	887	568	322	7,806
Borrowings					584
Tax liabilities					197
Total liabilities					8,587
Other segment items					
Capital expenditure	27	69	1,233	3	1,332
Depreciation of investment properties and property, plant and equipment	1,392	74	475	38	1,979

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

33. SEGMENT INFORMATION (Continued)

	Singapore			Malaysia	
	Steel product trading $'000	General hardware $'000	Property investment $'000	Steel product trading $'000	Total $'000
2015					
Total revenue and rental income	74,005	7,441	3,525	4,465	89,436
Inter-segment sales	(2,255)	(1)	(2,794)	–	(5,050)
External revenue and rental income	71,750	7,440	731	4,465	84,386
Segment results	(5,146)	931	139	(889)	(4,965)
Goodwill impairment					(4,630)
Interest income					1,142
Interest expense					(3)
Income tax credit					505
Loss after tax					(7,951)
Segment results include the following items:					
Provision for inventory write-down	(3,115)	–	–	(135)	(3,250)
Allowance for trade receivables	(1,683)	–	(6)	(229)	(1,918)
Segment assets	136,854	7,056	35,841	12,969	192,720
Tax assets					682
Total assets					193,402
Segment liabilities	5,777	695	75	417	6,964
Borrowings					408
Tax liabilities					5
Total liabilities					7,377
Other segment items					
Capital expenditure	105	93	8,691	1	8,890
Depreciation of investment properties and property, plant and equipment	1,448	69	103	45	1,665

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

33. SEGMENT INFORMATION (Continued)

Revenue and rental income from external customers based on location of customers for each customer-based geographical information is as follows:

	2016 $'000	2015 $'000
Singapore	**40,140**	58,624
Malaysia	**8,725**	11,384
Indonesia	**2,825**	7,418
Other South East Asian countries	**1,334**	2,536
Other countries	**3,346**	4,424
	56,370	84,386

The total of non-current assets (other than financial assets and deferred tax assets) broken down by location of the assets, is as follows:

	2016 $'000	2015 $'000
Singapore	**55,223**	55,837
Malaysia	**1,229**	1,367
	56,452	57,204

34. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

The Group has not early adopted any mandatory standards, amendments and interpretations to existing standards that have been published, but are only effective for the Group's accounting periods beginning on or after 1 July 2016. The Group is assessing the impact of the relevant new or revised accounting standards and interpretations.

35. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Hupsteel Limited on 23 September 2016.

STATISTICS OF SHAREHOLDINGS

AS AT 13 SEPTEMBER 2016

Issued and fully paid-up capital	:	107,485,000.00
No. of ordinary shares (excluding Treasury shares)	:	122,828,014
Class of shares	:	Ordinary shares fully paid with equal voting rights
Voting rights	:	One vote per share
No. of Treasury Shares	:	2,646,100

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	403	5.44	17,331	0.01
100 – 1,000	2,600	35.10	1,329,427	1.08
1,001 – 10,000	3,704	50.00	12,996,071	10.58
10,001 – 1,000,000	686	9.26	35,286,546	28.73
1,000,001 AND ABOVE	15	0.20	73,198,639	59.60
TOTAL	**7,408**	**100.00**	**122,828,014**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	HENNFA INVESTMENTS PTE LTD	18,603,000	15.15
2	LIM PUAY KOON	7,240,500	5.89
3	LIM BOH CHUAN	7,240,050	5.89
4	LIM KIM THOR	6,880,980	5.60
5	LIM YEE KIM	6,475,950	5.27
6	LIM KIM HOCK	6,409,530	5.22
7	LIM ENG CHONG	4,520,430	3.68
8	HSBC (SINGAPORE) NOMINEES PTE LTD	2,996,800	2.44
9	DBS NOMINEES (PRIVATE) LIMITED	2,828,834	2.30
10	LIM BEO PENG	2,680,710	2.18
11	LIM KOK SENG	1,664,835	1.36
12	LIM HAN LEONG	1,654,335	1.35
13	TAN LEAN CHOO	1,460,565	1.19
14	KIM SENG HOLDINGS PTE LTD	1,329,250	1.08
15	MAYBANK KIM ENG SECURITIES PTE. LTD.	1,212,870	0.99
16	KOH BOON HWEE	1,000,000	0.81
17	JOE LIM KIM SAN	971,180	0.79
18	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	950,204	0.77
19	UOB KAY HIAN PRIVATE LIMITED	862,986	0.70
20	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	840,728	0.68
	TOTAL	**77,823,737**	**63.34**

STATISTICS OF SHAREHOLDINGS

AS AT 13 SEPTEMBER 2016

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

Name of Substantial Shareholder	Direct Interest	%	Deemed Interest	%
Hennfa Investments Pte Ltd[3]	18,603,000	15.15	–	–
Lim Puay Koon[1][2]	7,240,500	5.89	18,603,000	15.15
Lim Boh Chuan[1][2]	7,240,050	5.89	18,603,000	15.15
Lim Yee Kim[2]	6,475,950	5.27	18,603,000	15.15
Lim Kim Thor[2][3]	6,880,980	5.60	18,639,000	15.17
Lim Kim Hock[2][3]	6,409,530	5.22	18,603,000	15.15
Lim Eng Chong[2][3]	4,520,430	3.68	18,603,000	15.15
Yee Kim Holdings Pte. Ltd.[2]	–	–	18,603,000	15.15
Pey Choi[2]	–	–	18,603,000	15.15

Notes:

(1) Messrs Lim Boh Chuan and Lim Puay Koon are brothers. Together, they hold 28.50% of the voting shares in Hennfa Investments Pte Ltd ("Hennfa").

(2) Hennfa is an investment holding company which is 23.54% owned by Yee Kim Holdings Pte. Ltd. ("YKH"). YKH is a business management and consultancy services company which is held equally by Messrs Lim Yee Kim and Pey Choi. Pey Choi is the spouse of Lim Yee Kim. By virtue of Section 7 of the Companies Act, Cap. 50, YKH is deemed interested in the shares of Hennfa. The other shareholders of Hennfa are Pit Hong Holdings Pte. Ltd., Lim Kim Thor, Lim Kim Hock, Lim Eng Chong, Lim Boh Chuan and Lim Puay Koon, each of whom holds less than 20% of the shareholdings in Hennfa.

(3) Messrs Lim Kim Hock, Lim Kim Thor and Lim Eng Chong are brothers and together they hold 38.27% of the voting shares in Hennfa.

PERCENTAGE OF SHAREHOLDING HELD BY PUBLIC

To the best knowledge of the Company, the percentage of shareholding held in the hands of public as at 13 September 2016 is approximately 44.78% of the total issued shares, excluding treasury shares. Therefore, the Company complies with Rule 723 of the Listing Manual.

TREASURY SHARES

As at 13 September 2016, the number of treasury shares held is 2,646,100 representing 2.15% of the total number of issued shares excluding treasury shares.

NOTICE OF ANNUAL GENERAL MEETING

HUPSTEEL LIMITED
Company Registration No.: 197301452D
(Incorporated in the Republic of Singapore)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 116 Neythal Road Singapore 628603 on Saturday, 22 October 2016 at 11.00 a.m. for the purpose of transacting the following business:

ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement, Auditor's Report and Audited Financial Statements for the year ended 30 June 2016. **Resolution 1**

2. To declare the payment of a first and final tax exempt (one-tier) dividend of 1.0 cent per ordinary share for the year ended 30 June 2016. **Resolution 2**

3. To re-elect Dr Lim Puay Koon, a Director retiring pursuant to Article 88 of the Company's Constitution. [refer to explanatory note (a)] **Resolution 3**

4. To re-elect Mr Lim Chee San, a Director retiring pursuant to Article 88 of the Company's Constitution. [refer to explanatory note (b)] **Resolution 4**

5. To re-appoint Pricewaterhouse Coopers LLP as the Company's Auditor and to authorise the Directors to fix its remuneration. **Resolution 5**

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions:

6. **Payment of directors' fees for the financial year ending 30 June 2017**

That the Directors' Fees of S$248,000 for the financial year ending 30 June 2017 be approved and payable quarterly in arrears (2016: S$248,000) **Resolution 6**

7. **Share Issue Mandate**

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST Listing Manual**"), the Directors of the Company be authorised and empowered to:

(a) (i) issue shares of the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

NOTICE OF ANNUAL GENERAL MEETING

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

(1) the aggregate number of shares (Including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution does not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the SGX-ST Listing Manual for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Constitution for the time being of the Company; and

(4) unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier. [refer to explanatory note (c)] **Resolution 7**

NOTICE OF ANNUAL GENERAL MEETING

8. **The Renewal of the Share Buy-back Mandate**

That:

(1) for the purposes of Sections 76C and 76E of the Companies Act, Cap. 50 of Singapore (the "**Act**"), the Directors of the Company be and are hereby authorised to make purchases or otherwise acquire issued shares in the capital of the Company from time to time not exceeding in aggregate the Maximum Percentage (as defined below), at the price of up to but not exceeding the Maximum Price (as defined below), whether by way of:–

(a) on market purchases transacted on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") ("**Market Purchase**"); and/or

(b) off-market purchases in accordance with an equal access scheme as may be determined or formulated by the Directors as they consider fit, which scheme shall satisfy all the conditions prescribed by the Act and the SGX-ST Listing Manual ("**Off-Market Purchase**"),

and otherwise in accordance with all other laws, regulations and rules, including but not limited to, the provisions of the Act, the SGX-ST Listing Manual and the SGX-ST as may for the time being applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Buy-back Mandate**");

(2) and this mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

in this Resolution:

"**Maximum Percentage**" means that number of issued Shares representing 10% of the total number of issued Shares as at the date of the passing of this Resolution (excluding any Shares which are held as treasury shares as at that date);

"**Maximum Price**" in relation to a Share to be purchased, means the purchase price (excluding brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) to be paid by the Company for the Shares as determined by the Directors not exceeding:–

(i) in the case of a Market Purchase, 105% of the Average Closing Price; and

(ii) in the case of an Off-Market Purchase, 120% of the Average Closing Price.

NOTICE OF ANNUAL GENERAL MEETING

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five (5) Market Days on which the Shares are transacted on the SGX-ST or, as the case may be, such securities exchange on which the Shares are listed or quoted, immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with the rules of the SGX-ST, for any corporate action that occurs after the relevant five (5)-day period; and

"**date of the making of the offer**" means the day on which the Company announces its intention to make an offer for the purchase of Shares from the Shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

(3) the Directors of the Company and/or any of them be and are hereby authorised to complete and do any and all such acts and things (including executing all such documents as may be required, approve any amendments, alterations or modifications to any documents, and sign, file and/or submit any notices, forms and documents with or to the relevant authorities) as they and/or he may, in his/their absolute discretion consider expedient or necessary or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution. [refer to explanatory note (d)] **Resolution 8**

By Order of the Board

Tan Ching Chek
Company Secretary

7 October 2016
Singapore

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(a) Dr Lim Puay Koon, if re-elected, will continue to serve as a member of the the Audit Committee. Dr Lim Puay Koon is considered by the Board of Directors as a Non-Independent Director. For more information on Dr Lim Puay Koon, please refer to the "Board of Directors" and "Corporate Governance" sections in the Annual Report 2016.

(b) Mr Lim Chee San, if re-elected, will continue to serve as the Chairman of Remuneration Committee and member of Audit and Nominating Committees. Mr Lim Chee San is considered by the Board of Directors as an Independent Director. For more information on Mr Lim Chee San, please refer to the "Board of Directors" and "Corporate Governance" sections in the Annual Report 2016.

(c) The proposed ordinary resolution 7 above, if passed, will empower the Directors of the Company from the date of the Annual General Meeting to issue shares of the Company up to the limits as specified in the resolution for such purposes as they consider would be in the interests of the Company. This authority will continue in force until the next Annual General Meeting of the Company, unless previously revoked or varied at a general meeting.

(d) The Ordinary Resolution 8 proposed in item 8 above, if passed, will empower the Directors of the Company effective until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, to repurchase ordinary shares of the Company by way of market purchases or off-market purchases of up to ten per centum (10%) of the total number of issued shares (excluding treasury shares) in the capital of the Company at the Maximum Price as defined in the Resolution. Detailed information on the Renewal of the Share Buy-back Mandate, including but not limited to the rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of ordinary shares by the Company pursuant to the Renewal of the Share Buy-back Mandate on the audited consolidated financial statements of the Group for the financial year ended 30 June 2016 are set out in greater detail in Appendix A attached.

Notes:

(i) (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

(b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.

(ii) A proxy need not be a member of the Company.

(iii) If a proxy is to be appointed, the instrument of proxy must be deposited at the office of the Company's Share Registrar, 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623 not less than 48 hours before the time appointed for holding the Annual General Meeting.

(iv) The instrument of proxy must be signed by the appointor or his attorney duly authorised in writing. In the case of joint shareholders, all holders must sign the instrument of proxy.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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HUPSTEEL LIMITED

Company Registration No.: 197301452D
(Incorporated in the Republic of Singapore)

ANNUAL GENERAL MEETING
PROXY FORM

Important

1. Relevant intermediaries (as defined in Section 181 of the Companies Act, Chapter 50 of Singapore) may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For CPF/SRS investors who have used their CPF/SRS monies to buy Hupsteel Limited shares, this Proxy Form is not valid for use by them and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 7 October 2016.

I/We (Name) _____ (NRIC/Passport No./Co. Regn. No.) _____

of (Address) _____,

being a member/members of HUPSTEEL LIMITED (the "**Company**") hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting, as my/our proxy/proxies to attend, speak and vote for me/us on my/our behalf at the Annual General Meeting of the Company (the "**Meeting**") to be held at 116 Neythal Road Singapore 628603 on 22 October 2016 at 11.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Meeting.

No.	Resolutions	For	Against
	ORDINARY BUSINESS		
1.	To adopt the Directors' Statement, Auditor's Report and Audited Financial Statements		
2.	To declare First and Final Dividend		
3.	To re-elect Dr Lim Puay Koon, a Director retiring under Article 88 of the Company's Constitution		
4.	To re-elect Mr Lim Chee San, a Director retiring under Article 88 of the Company's Constitution		
5.	To re-appoint Pricewaterhouse Coopers LLP as Auditor and authorise the Directors to fix its remuneration		
	SPECIAL BUSINESS		
6.	To approve Directors' Fees		
7.	To approve the Share Issue Mandate		
8.	To approve the Renewal of the Share Buy-back Mandate		

Voting will be conducted by poll. If you wish to exercise all your votes For or Against, please tick with '√'. Alternatively, please indicate the number of votes For or Against each resolution.

Dated this _____ day of _____ 2016

Total Number of Shares Held	

_____

Signature(s) of Member(s)/Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES:

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.

2. A proxy need not be a member of the Company.

3. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending, speaking and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

4. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.

5. The instrument appointing a proxy or proxies must be deposited at the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place #32-01Singapore Land Tower Singapore 048623 not less than 48 hours before the time appointed for holding the Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

GENERAL:

The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy (including any related attachment). In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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Company Registration Number: 197301452D
116 Neythal Road
Singapore 628603
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