

HUPSteel Limited
HALF-YEAR FINANCIAL STATEMENT (UNAUDITED)

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

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

The following figures have not been audited.

	GROUP (S\$'000)					
	2Q FY18	2Q FY17	% + / (-)	1H FY18	1H FY17	% + / (-)
Revenue	10,277	12,107	-15%	23,082	24,138	-4%
Changes in inventories*	(276)	576	NM	(3,303)	(2,231)	48%
Purchases of inventories	(6,885)	(9,308)	-26%	(13,524)	(15,359)	-12%
Gross profit	3,116	3,375	-8%	6,255	6,548	-4%
Other (losses)/gains - net	(2,101)	(15)	13907%	2,315	(136)	NM
Other operating income	323	332	-3%	528	655	-19%
Staff cost	(1,617)	(1,862)	-13%	(3,312)	(3,726)	-11%
Depreciation	(481)	(503)	-4%	(971)	(1,004)	-3%
Other operating expenses	(1,306)	(832)	57%	(2,215)	(2,013)	10%
Finance cost - net	-	(20)	-100%	-	(32)	-100%
(Loss)/Profit before tax	(2,066)	475	NM	2,600	292	790%
Income tax (expense)/credit	(7)	(7)	0%	(14)	2	NM
Total (loss)/profit	(2,073)	468	NM	2,586	294	780%
Other comprehensive (loss)/income :						
Currency translation differences arising from consolidation	48	190	-75%	82	136	-40%
Available-for-sale financial assets						
- Fair value gains/(losses)	(7)	(624)	-99%	(55)	(341)	-84%
- Reclassification	(33)	(48)	-31%	84	22	282%
Total comprehensive (loss)/income	(2,065)	(14)	14650%	2,697	111	2330%
(Loss)/Profit attributable to Equity holders of the Company	(2,073)	468	NM	2,586	294	780%
Total comprehensive (loss)/income attributable to Equity holders of the Company	(2,065)	(14)	14650%	2,697	111	2330%
(Losses)/Earnings per share based on (loss)/profit attributable to equity shareholders:						
- Basic (cent) - see section 6	(1.70)	0.38		2.11	0.24	
- Diluted (cent) - see section 6	(1.70)	0.38		2.11	0.24	

NM : not meaningful

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

	GROUP (S\$'000)			
	2Q FY18	2Q FY17	1H FY18	1H FY17
Dividend income	91	67	164	114
Interest income	116	241	285	485
Reclassification from other comprehensive income on disposal of available-for-sale financial assets	33	48	(84)	(22)
Gain on disposal of investment property	-	-	4,515	-
Investment property written off <i>(Fixed assets W/O due to re-development of an investment property)</i>	(2,185)	-	(2,185)	-
Foreign exchange gain/(loss)	51	(63)	69	(114)
Finance cost-net is made up of :				
Interest expense	-	(1)	-	(1)
Foreign exchange loss arising from borrowings	-	(19)	-	(31)
Reversal of allowance for trade receivables	69	403	165	518
Bad debts recovered	-	15	-	23

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

	GROUP		COMPANY	
	31.12.2017	30.06.2017	31.12.2017	30.06.2017
	\$'000	\$'000	\$'000	\$'000
Current Assets				
Cash and cash equivalents	57,584	52,555	15,202	13,337
Trade and other receivables	13,932	16,447	4,776	5,671
Inventories	24,723	28,026	11,326	13,354
Other current assets	193	193	126	87
Tax recoverable	57	54	-	-
Derivative financial instruments	-	108	-	108
Due from subsidiaries	-	-	5,895	5,678
	96,489	97,383	37,325	38,235
Non-current asset classified as held-for-sale	-	650	-	650
	96,489	98,033	37,325	38,885
Non-Current Assets				
Available-for-sale financial assets	21,174	20,827	21,174	20,827
Investment in subsidiaries	-	-	9,457	9,457
Loan to a subsidiary	-	-	29,286	29,369
Property, plant and equipment	19,644	20,207	96	114
Investment properties	32,192	33,690	27,593	26,868
	73,010	74,724	87,606	86,635
Total Assets	169,499	172,757	124,931	125,520
Current Liabilities				
Trade and other payables	3,172	6,476	1,460	3,868
Due to a subsidiary	-	-	1,153	1,177
Provision for directors' retirement gratuity	56	56	56	56
Borrowings	263	140	263	140
	3,491	6,672	2,932	5,241
Non-Current Liabilities				
Deferred income tax liabilities	239	239	-	-
Provision for directors' retirement gratuity	616	598	616	598
	855	837	616	598
Total Liabilities	4,346	7,509	3,548	5,839
Net Assets	165,153	165,248	121,383	119,681
Share capital and reserves				
Share capital	107,485	107,485	107,485	107,485
Treasury shares	(3,389)	(3,038)	(3,389)	(3,038)
Capital reserves	(477)	(477)	1,430	1,430
Currency translation reserves	(1,619)	(1,701)	-	-
Fair value reserves	543	514	543	514
Retained profits	62,610	62,465	15,314	13,290
	165,153	165,248	121,383	119,681

1(b)(ii) Aggregate amount of group's borrowings and debt securities**Amount repayable in one year or less, or on demand ('000)**

As at 31.12.2017		As at 30.6.2017	
Secured	Unsecured	Secured	Unsecured
-	263	-	140

Amount repayable after one year ('000)

As at 31.12.2017		As at 30.6.2017	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral

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

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

	Group (S\$'000)			
	2Q FY18	2Q FY17	1H FY18	1H FY17
Cash flow from operating activities				
Total (loss)/profit	(2,073)	468	2,586	294
Adjustments for:				
- Income tax expense/(credit)	7	7	14	(2)
- Property, plant and equipment and investment properties				
- Depreciation	481	503	971	1,004
- Gain on disposal	-	-	(4,515)	-
- Written off	2,185	-	2,185	-
- Available-for-sale financial assets				
- Reclassification from other comprehensive income on disposal	(33)	(48)	84	22
- Interest income	(116)	(241)	(285)	(485)
- Interest expense	-	1	-	1
- Dividend income	(91)	(67)	(164)	(114)
	360	623	876	720
Change in working capital				
- Trade and other receivables	2,663	1,764	2,515	993
- Inventories	276	(576)	3,303	2,231
- Other current assets	132	(8)	108	142
- Trade and other payables	(522)	498	(3,304)	(2,130)
- Provision for director retirement gratuity	7	5	18	17
Cash generated from operations	2,916	2,306	3,516	1,973
Income tax (paid)/refund	(7)	(6)	(17)	26
Interest received	116	241	285	485
Net cash provided by operating activities	3,025	2,541	3,784	2,484
Cash flows from investing activities				
Property, plant & equipment and investment properties				
- Purchases	(974)	(22)	(1,095)	(34)
- Proceeds from disposal	-	-	5,165	-
Available-for-sale financial assets				
- Purchases	(7,527)	(379)	(8,528)	(2,644)
- Proceeds from disposal	1,227	1,893	8,126	2,687
Dividends received	91	67	164	114
Net cash (used in)/provided by investing activities	(7,183)	1,559	3,832	123
Cash flows from financing activities				
Purchase of treasury shares	-	-	(351)	(298)
Proceeds from trust receipts	1,298	2,113	1,845	3,708
Repayment of trust receipts	(1,077)	(2,156)	(1,722)	(4,157)
Dividend paid to shareholders	(2,441)	(1,228)	(2,441)	(1,228)
Interest paid	-	(1)	-	(1)
Net cash used in financing activities	(2,220)	(1,272)	(2,669)	(1,976)
Net (decrease)/increase in cash and cash equivalents	(6,378)	2,828	4,947	631
Cash and cash equivalents at beginning of the financial period	63,914	51,363	52,555	53,614
Effects of currency translation on cash and cash equivalents	48	(82)	82	(136)
Cash and cash equivalents at end of the financial period	57,584	54,109	57,584	54,109

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

	Share Capital	Treasury Shares	Capital Reserves	Currency Translation Reserves	Fair Value Reserves	Retained Profits	Total Equity
Group	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2017	107,485	(3,038)	(477)	(1,701)	514	62,465	165,248
Purchase of treasury shares	-	(351)	-	-	-	-	(351)
Total comprehensive income/(loss) for 1 st quarter	-	-	-	34	69	4,659	4,762
At 30 September 2017	107,485	(3,389)	(477)	(1,667)	583	67,124	169,659
Dividend paid	-	-	-	-	-	(2,441)	(2,441)
Total comprehensive income/(loss) for 2 nd quarter	-	-	-	48	(40)	(2,073)	(2,065)
At 31 December 2017	107,485	(3,389)	(477)	(1,619)	543	62,610	165,153
Group							
At 1 July 2016	107,485	(2,498)	(477)	(1,577)	19	62,973	165,925
Purchase of treasury shares	-	(298)	-	-	-	-	(298)
Total comprehensive (loss)/income for 1 st quarter	-	-	-	(54)	353	(174)	(125)
At 30 September 2016	107,485	(2,796)	(477)	(1,631)	372	62,799	165,752
Dividend paid	-	-	-	-	-	(1,228)	(1,228)
Total comprehensive (loss)/income for 2 nd quarter	-	-	-	(82)	10	468	396
At 31 December 2016	107,485	(2,796)	(477)	(1,713)	382	62,039	164,920

	Share Capital	Treasury Shares	Capital Reserves	Currency Translation Reserves	Fair Value Reserves	Retained Profits	Total Equity
Company	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2017	107,485	(3,038)	1,430	-	514	13,290	119,681
Purchase of treasury shares	-	(351)	-	-	-	-	(351)
Total comprehensive income for 1 st quarter	-	-	-	-	69	4,528	4,597
At 30 September 2017	107,485	(3,389)	1,430	-	583	17,818	123,927
Dividend paid	-	-	-	-	-	(2,441)	(2,441)
Total comprehensive loss for 2 nd quarter	-	-	-	-	(40)	(63)	(103)
At 31 December 2017	107,485	(3,389)	1,430	-	543	15,314	121,383
Company							
At 1 July 2016	107,485	(2,498)	1,430	-	19	15,440	121,876
Purchase of treasury shares	-	(298)	-	-	-	-	(298)
Total comprehensive income/(loss) for 1 st quarter	-	-	-	-	353	(306)	47
At 30 September 2016	107,485	(2,796)	1,430	-	372	15,134	121,625
Dividend paid	-	-	-	-	-	(1,228)	(1,228)
Total comprehensive income for 2 nd quarter	-	-	-	-	10	14	24
At 31 December 2016	107,485	(2,796)	1,430	-	382	13,920	120,421

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

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

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

	31.12.17	30.06.17
Number of shares in issue excluding treasury shares	122,045,014	122,486,114

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

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

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

The figures have not been audited nor reviewed.

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

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

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

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

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

Not applicable.

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

	GROUP			
	3 months ended 31.12.17	3 months ended 31.12.16 (note1)	6 months ended 31.12.17 (note 1)	6 months ended 31.12.16 (note1)
(Losses)/Earnings per share based on profit attributable to equity shareholders:				
(a) Basic (cent)	(1.70)	0.38	2.11	0.24
(b) Diluted (cent)	(1.70)	0.38	2.11	0.24

Note 1 : The basic & diluted earnings per share is calculated based on the weighted average number of ordinary shares of 122,291,056 (1HFY17:123,003,636) in issue during the period.

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

	GROUP		COMPANY	
	31.12.17	30.06.17	31.12.17	30.06.17
Net Asset Value per ordinary share (cents)	135.32	134.91	99.46	97.71

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

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

Revenue and margin

	\$'000				
	2QFY18	1QFY18	2QFY17	1HFY18	1HFY17
Revenue	10,277	12,805	12,107	23,082	24,138
Gross Profit	3,116	3,139	3,375	6,255	6,548
GP %	30.3%	24.5%	27.9%	27.1%	27.1%

The Group reported a revenue of \$10.3M for 2QFY18, a dip of 20% from the revenue reported for 1QFY18 of \$12.8M. 2QFY18 revenue also fell by 15% when making year-on-year comparison with 2QFY17 revenue of \$12.1M. This was due to the continued slowdown in the marine, oil and gas sectors and the year end holiday season. The sluggish local demand for steel products had also resulted in 1HFY18 revenue declining to \$23.1M when compared with 1HFY17 revenue of \$24.1M.

Gross profit for 2QFY18 of \$3.1M was marginally lower than \$3.4M reported for 2QFY17. The gross profit for 1HFY18 of \$6.3M was also lower than \$6.5M reported for 1HFY17 in tandem with the lower revenue generated.

However, gross profit margin for the quarter improved to 30.3% (1QFY18: 24.5%) from 27.9% in 2QFY17 due to better selling prices achieved by some products. The gross profit margin of 27.1% for 1HFY18 matched those reported in 1HFY17.

Other (losses)/gains

In 2QFY18, other losses was \$2,101K (2QFY17:\$15K). These losses included the writing off of carrying amount of fixed assets as a result of the re-development of 38 Genting Lane which amounted to \$2,185K, foreign exchange gain of \$51K (2QFY17: \$63K loss) and gain on disposal of available-for-sale financial assets of \$33K (2QFY17 : \$48K).

Other operating income

Other operating income for 2QFY18 of \$323K was slightly lower than last year's corresponding quarter of \$332K mainly due to lower interest income earned.

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

Staff cost fell to \$1.6M in 2QFY18 from \$1.9M reported for 2QFY17 as the Group continued with its staff cost cutting measures.

Depreciation decreased from \$503K in 2QFY17 to \$481K in 2QFY18 as some fixed assets had fully depreciated.

Other operating expenses for 2QFY18 were higher at \$1.3M when compared with \$0.8M for 2QFY17 because expenses in that corresponding quarter was moderated by a write-back of allowance of doubtful trade receivables amounting to \$403K.

The Group incurred negligible finance cost in 2QFY18 (2QFY17: \$19K in forex loss arising from borrowings and \$1K interest expense). The Group paid off its debts as and when they fall due so as to minimise finance cost.

Although the Group had tax losses brought forward from previous years, it had to recognise a tax expense of \$7K in 2QFY18 (2QFY17: \$7K) due to tax provision arising from an overseas tax jurisdiction.

Profit attributable to equity holders of the Company

As a result of the write-off of fixed assets due to the re-development of 38 Genting Lane, the Group reported a net loss of \$2.1M for 2QFY18, a contrast from a net profit of \$0.5M reported for 2QFY17.

REVIEW OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

Non-current assets

As at the end of 2QFY18, the Group had available-for-sale financial assets amounting to \$21.2M (4QFY17: \$20.8M) as it continued to fine tune the composition of its portfolio in respond to market changes.

Investment property decreased by \$1.5M from \$33.7M as at 4QFY17 to \$32.2M as at 2QFY18. The decrease was mainly due to the write-off of an investment property at 38 Genting Lane with carrying amount of \$2.2M offset by additions of leasehold improvements for investment property at 6 Kim Chuan Drive.

Current assets and current liabilities

During the period, trade and other receivables fell to \$13.9M from \$16.4M (4QFY17) in tandem with the decreased turnover. The Group also carried on with its ongoing efforts on collecting debts.

Inventories decreased to \$24.7M from \$28.0M (4QFY17) as the Group continued to sell from its inventory holding and exercise caution in inventory replenishment.

Trade and other payables halved to \$3.2M from \$6.5M (4QFY17) as the Group purchased lesser inventories during the period and utilised its cash reserves to pay down its liabilities as and when they fell due.

Borrowings as at 1HFY18 and 4QFY17 amounted to \$263K and \$140K respectively. These were bank facilities utilised for the purchase of inventories.

The Group continued to post a healthy level of current ratio of 27.6 times (4QFY17: 14.7 times).

Share capital and reserves

Fair value reserves stands at \$543K as at 2QFY18 (4QFY17: \$514K) due to higher market value of the Group's available-for-sale financial assets.

Cash flow

During the quarter, the Group generated positive cash inflow of \$3.0M (2QFY17: \$2.5M) from its operations. The Group incurred a net cash outflow of \$7.2M (2QFY17: \$1.6M inflow) from its investing activities and \$2.2M (2QFY17: \$1.3M) from its financing activities. These had resulted in a reduction of \$6.4M (2QFY17: \$2.8M increase) in cash & cash equivalents.

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

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

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

Material costs for structural steel products, pipes and fittings have been creeping up slowly over the last few months due to rising raw material costs. Overseas demand for these products, especially in the US, has been improving which also contributed to rising inventory costs. As a result, selling prices have also been strengthening despite the soft local market and the seasonal lull due to the year end holidays.

As oil prices have been recovering steadily over the last few months, there are some preliminary signs of expected pick up in demand for steel products after the Chinese New Year holidays.

The Group is adjusting its purchasing activities to respond to any expected improvement in demand.

The Group has also announced the re-development of its property at 38 Genting Lane to prepare for an eventual upturn in the local property market. It had also announced that the property at 6 Kim Chuan Drive has been successfully tenanted out and the rental income would provide a steady revenue stream for the Group.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? Yes

Name of Dividend Tax exempt (one-tier)	Special interim
Dividend Type	Cash
Dividend Amount per share	2.0 cent

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? No.

(c) Date payable

To be advised.

(d) Books closure date

To be advised.

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

Not applicable.

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

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

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

The Board of Directors of the Company hereby confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited consolidated financial results for the quarter ended 31 December 2016 to be false or misleading in any material aspect.

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

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

BY ORDER OF THE BOARD

Tan Ching Chek
Company Secretary
9 February 2018