

**HUPSTEEL LIMITED**  
**FIRST QUARTER FINANCIAL STATEMENT (UNAUDITED)**

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

**1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income for the corresponding period of the immediately preceding financial year**  
 The following figures have not been audited or reviewed.

	<b>GROUP (S\$'000)</b>		
	1QFY18 30.09.17	1QFY17 30.09.16	% +/( -)
Revenue	12,805	12,031	6%
Changes in inventories	(3,027)	(2,807)	8%
Purchases of inventories	(6,639)	(6,051)	10%
Gross profit	3,139	3,173	-1%
Other gains/(losses) - net	4,416	(121)	NM
Other operating income	301	323	-7%
Staff cost	(1,695)	(1,864)	-9%
Depreciation	(490)	(501)	-2%
Other operating expenses	(1,005)	(1,181)	-15%
Finance cost - net	-	(12)	NA
Profit/(Loss) before tax	4,666	(183)	NM
Income tax (expense)/refund	(7)	9	NM
Total profit/(loss)	4,659	(174)	NM
Other comprehensive income/(loss):			
Currency translation differences arising from consolidation	34	(54)	NM
Available-for-sale financial assets			
- Fair value (losses)/gains	(48)	283	NM
- Reclassification	117	70	67%
Total comprehensive income	4,762	125	>100%
Profit/(Loss) attributable to Equity holders of the Company	4,659	(174)	NM
Total comprehensive income/(loss) attributable to Equity holders of the Company	4,762	125	>100%
Earnings/(Losses) per share based on profit attributable to equity shareholders:			
- Basic (cent) - see section 6	3.81	(0.14)	
- Diluted (cent) - see section 6	3.81	(0.14)	

NM: not meaningful

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

	<b>GROUP (S\$'000)</b>	
	1QFY18 30.09.17	1QFY17 30.09.16
Dividend income	73	47
Interest income	169	244
Reclassification from other comprehensive income on disposal of available-for-sale financial	(117)	(70)
Gain on disposal of investment property	4,515	-
Foreign exchange gain/(loss)	18	(44)
Finance cost-net is made up of :		
Interest expense	-	-
Foreign exchange loss arising from borrowings	-	(12)
Reversal of allowance for trade receivables	-	115
Bad debts recovered	96	8

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

	<b>GROUP</b>		<b>COMPANY</b>	
	30.09.2017 \$'000	30.06.2017 \$'000	30.09.2017 \$'000	30.06.2017 \$'000
<b>Current Assets</b>				
Cash and cash equivalents	63,914	52,555	24,141	13,337
Trade and other receivables	16,703	16,447	5,622	5,671
Inventories	24,999	28,026	10,861	13,354
Other current assets	217	193	102	87
Tax recoverable	57	54	-	-
Derivative financial instruments	-	108	-	108
Due from subsidiaries	-	-	5,909	5,678
	<b>105,890</b>	<b>97,383</b>	<b>46,635</b>	<b>38,235</b>
Non-current asset classified as held-for-sale	-	650	-	650
	<b>105,890</b>	<b>98,033</b>	<b>46,635</b>	<b>38,885</b>
<b>Non-Current Assets</b>				
Available-for-sale financial assets	14,881	20,827	14,881	20,827
Investment in subsidiaries	-	-	9,457	9,457
Loan to a subsidiary	-	-	29,407	29,369
Property, plant and equipment	19,974	20,207	105	114
Investment properties	33,554	33,690	26,754	26,868
	<b>68,409</b>	<b>74,724</b>	<b>80,604</b>	<b>86,635</b>
<b>Total Assets</b>	<b>174,299</b>	<b>172,757</b>	<b>127,239</b>	<b>125,520</b>
<b>Current Liabilities</b>				
Trade and other payables	3,694	6,476	1,452	3,868
Due to a subsidiary	-	-	1,153	1,177
Provision for directors' retirement gratuity	56	56	56	56
Borrowings	42	140	42	140
	<b>3,792</b>	<b>6,672</b>	<b>2,703</b>	<b>5,241</b>
<b>Non-Current Liabilities</b>				
Deferred income tax liabilities	239	239	-	-
Provision for directors' retirement gratuity	609	598	609	598
	<b>848</b>	<b>837</b>	<b>609</b>	<b>598</b>
<b>Total Liabilities</b>	<b>4,640</b>	<b>7,509</b>	<b>3,312</b>	<b>5,839</b>
<b>Net Assets</b>	<b>169,659</b>	<b>165,248</b>	<b>123,927</b>	<b>119,681</b>
<b>Share capital and reserves</b>				
Share capital	107,485	107,485	107,485	107,485
Treasury shares	(3,389)	(3,038)	(3,389)	(3,038)
Capital reserves	(477)	(477)	1,430	1,430
Currency translation reserves	(1,667)	(1,701)	-	-
Fair value reserves	583	514	583	514
Retained profits	67,124	62,465	17,818	13,290
	<b>169,659</b>	<b>165,248</b>	<b>123,927</b>	<b>119,681</b>

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

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

As at 30.9.2017		As at 30.6.2017	
Secured	Unsecured	Secured	Unsecured
-	42	-	140

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

As at 30.9.2017		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 statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year**

	<b>Group (S\$'000)</b>	
	<b>1QFY17 30.09.17</b>	<b>1QFY16 30.09.16</b>
<b>Cash flow from operating activities</b>		
Total profit/(loss)	4,659	(174)
Adjustments for :		
- Income tax expense/(refund)	7	(9)
- Property, plant and equipment and investment properties		
- Depreciation	490	501
- Gain on disposal	(4,515)	-
- Available-for sale financial assets		
- Reclassification from other comprehensive income on disposal	117	70
- Interest income	(169)	(244)
- Dividend income	(73)	(47)
	516	97
Change in working capital		
- Trade and other receivables	(148)	(771)
- Inventories	3,027	2,807
- Other current assets	(24)	150
- Trade and other payables	(2,782)	(2,628)
- Provision for directors' retirement gratuity	11	12
Cash provided by/(used in) operations	600	(333)
Income tax (paid)/refund	(10)	32
Interest received	169	244
<b>Net cash provided by/(used in) operating activities</b>	<b>759</b>	<b>(57)</b>
<b>Cash flows from investing activities</b>		
Property, plant & equipment and investment properties		
- Purchases	(121)	(12)
- Proceeds from disposal	5,165	-
Financial assets, available-for-sale		
- Purchases	(1,001)	(2,265)
- Proceeds from disposal	6,899	794
Dividends received	73	47
<b>Net cash generated by/(used in) investing activities</b>	<b>11,015</b>	<b>(1,436)</b>
<b>Cash flows from financing activities</b>		
Purchase of treasury shares	(351)	(298)
Proceeds from trust receipts	547	1,595
Repayment of trust receipts	(645)	(2,001)
<b>Net cash used in financing activities</b>	<b>(449)</b>	<b>(704)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>11,325</b>	<b>(2,197)</b>
Cash and cash equivalents at beginning of the financial period	52,555	53,614
Effects of currency translation on cash and cash equivalents	34	(54)
<b>Cash and cash equivalents at end of the financial period</b>	<b>63,914</b>	<b>51,363</b>

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

	Share Capital	Treasury Shares	Capital Reserves	Currency Translation Reserves	Fair Value Reserves	Retained Profits	Total Equity
<b>Group</b>	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 1 July 2017	107,485	(3,038)	(477)	(1,701)	514	62,465	165,248
Purchase of treasury shares	-	(351)	-	-	-	-	(351)
Total comprehensive income for 1 <sup>st</sup> quarter	-	-	-	34	69	4,659	4,762
<b>At 30 September 2017</b>	<b>107,485</b>	<b>(3,389)</b>	<b>(477)</b>	<b>(1,667)</b>	<b>583</b>	<b>67,124</b>	<b>169,659</b>
<b>Group</b>							
At 1 July 2016	107,485	(2,498)	(477)	(1,577)	19	62,973	165,925
Purchase of treasury shares	-	(298)	-	-	-	-	(298)
Total comprehensive (loss)/income for 1 <sup>st</sup> quarter	-	-	-	(54)	353	(174)	125
<b>At 30 September 2016</b>	<b>107,485</b>	<b>(2,796)</b>	<b>(477)</b>	<b>(1,631)</b>	<b>372</b>	<b>62,799</b>	<b>165,752</b>

	Share Capital	Treasury Shares	Capital Reserves	Currency Translation Reserves	Fair Value Reserves	Retained Profits	Total Equity
<b>Company</b>	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 1 July 2017	107,485	(3,038)	1,430	-	514	13,290	119,681
Purchase of treasury shares	-	(351)	-	-	-	-	(351)
Total comprehensive income for 1 <sup>st</sup> quarter	-	-	-	-	69	4,528	4,597
<b>At 30 September 2017</b>	<b>107,485</b>	<b>(3,389)</b>	<b>1,430</b>	<b>-</b>	<b>583</b>	<b>17,818</b>	<b>123,927</b>
<b>Company</b>							
At 1 July 2016	107,485	(2,498)	1,430	-	19	15,440	121,876
Purchase of treasury shares	-	(298)	-	-	-	-	(298)
Total comprehensive income/(loss) for 1 <sup>st</sup> quarter	-	-	-	-	353	(306)	47
<b>At 30 September 2016</b>	<b>107,485</b>	<b>(2,796)</b>	<b>1,430</b>	<b>-</b>	<b>372</b>	<b>15,134</b>	<b>121,625</b>

**1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as 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	2,988,000	3,038
Purchases	441,100	351
Balance as at 30 Sep 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.**

	30.09.17	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.**

Not applicable. None of the above 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 or reviewed.

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

Not applicable.

**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, there were no such changes.

**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	
	1QFY18 30.09.17 (Note 1)	1QFY17 30.09.16 (Note 1)
Earnings/(Losses) per share based on profit attributable to equity shareholders:		
(a) Basic (cent)	3.81	(0.14)
(b) Diluted (cent)	3.81	(0.14)

*Note 1 : The basic and diluted earnings per share is calculated based on the weighted average number of ordinary shares of 122,226,295 (30.09.16: 123,179,257) 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	
	30.09.17	30.06.17	30.09.17	30.06.17
Net Asset Value per ordinary share (cents)	139.01	134.91	101.54	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**

	<b>\$'000</b>		
	<b>1QFY18</b>	<b>4QFY17</b>	<b>1QFY17</b>
<b>Revenue</b>	12,805	14,020	12,031
<b>Gross Profit/(Loss)</b>	3,139	3,622	3,173
<b>GP %</b>	24.5%	25.8%	26.4%

The Group's 1QFY18 revenue of \$12.8M improved slightly compared to 1QFY17 of \$12.0M but declined from \$14.0M reported for 4QFY17. The lower 1QFY18 revenue compared with the previous quarter was an indication that market conditions remained challenging and reflected the prevailing poor demand for steel products from the shipbuilding, oil & gas and construction sectors.

The Group reported a lower gross profit of \$3.1M for 1QFY18 compared with gross profit of \$3.2M and \$3.6M for 1QFY17 and 4QFY17 respectively. Gross profit margin was affected by stiff competition and higher costs due to stronger US dollar. This had caused gross profit margin to slide slightly to 24.5% from the previously reported gross profit margins of 25.8% (4QFY17) and 26.4% (1QFY17).

#### **Other gains/losses**

Other gains posted for 1QFY18 were \$4.4M as compared to \$0.1M loss in 1QFY17. Included in these gains/losses - net was a gain on disposal of an investment property amounting to \$4.5M (1QFY17: Nil).

#### **Other operating income**

Other operating income for 1QFY18 decreased slightly to \$301K from \$323K for 1QFY17 mainly due to lower interest and dividend income earned in the reporting quarter.

#### **Staff costs, Depreciation, Other operating expenses and Finance cost**

Manpower costs in 1QFY18 fell to \$1.7M from \$1.9M for 1QFY17 as the Group continued with its cost cutting measures.

During the period, depreciation decreased to \$490K from \$501K in 1QFY17 as one of its investment properties was disposed.

Other operating expenses were lower at \$1.0M for 1QFY18 (1QFY17: \$1.2M) as the Group took steps to improve efficiency and looked for ways to reduce costs.

The Group incurred negligible finance cost in 1QFY18 (1QFY17: \$12K in forex loss). The Group paid off its debts as and when they fall due so as to minimise interest expense.

#### **Profitability review**

With the sale of the investment property, the Group reported a net profit of \$4.7M for 1QFY18, reversing from a net loss of \$0.2M reported for 1QFY17.

## **REVIEW OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2017**

### **Non current assets**

The reduction in available-for-sale financial assets to \$14.9M (4QFY17: \$20.8M) was due to early redemption of some of its marketable bonds by various issuers.

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

Trade and other receivables were marginally higher at \$16.4M as at 4QFY17 compared to \$16.7M as at 1QFY18, as collections were slower.

The Group continued to exercise caution in inventory replenishment and sell from its existing inventory holding. As such, stock balance decreased to \$25.0M from \$28.0M (4QFY17).

Both trade and other payables and borrowings declined to \$3.7M from \$6.6M as at 4QFY17. The Group's strong cash position allowed it to pay its liabilities early.

The Group continued to maintain a healthy current ratio of 27.9 times (FY17: 14.7 times).

### **Share capital and reserves**

During the quarter, the Group purchased 441,100 shares from the open market and these were kept as treasury shares.

Fair value reserves stands at \$583K as at 1QFY18 (4QFY17: \$514K) due to higher market values of the Group's available-for-sale financial assets.

### **Cashflow**

During the quarter, the Group experienced net cash inflow of \$0.8M (FY17: \$0.1M net cash outflow) from its operations, a net cash inflow from investing activities of \$11.0M (FY17: \$1.4M net cash outflow) and a net cash outflow from financing activities of \$0.4M (FY17: \$0.7M). These had resulted in a increase of \$11.3M (FY17: \$2.2M decrease) in cash and cash equivalents.

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

NA.

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

Demand for structural steel products, pipes and fittings has not improved since the last quarter and is expected to remain soft in the coming quarters with end of year holidays and various upcoming festivities.

Although oil prices have been showing uptrend recently, any positive impact on demand from the marine and oil & gas sectors is yet uncertain with a number of smaller local shipyards undergoing financial re-structuring.

As US dollar is not expected to weaken, inventory costs will remain high which will affect gross profit margins.

The Group will continue to adopt cost rationalisation measures and offer attractive pricing in response to the continued tough market conditions.



**11. Dividend**

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

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

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

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

**(c) Date payable**

Not applicable

**(d) Books closure date**

Not applicable

**12. If no dividend has been declared/recommendeded, 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 30 September 2017 to be false or misleading.

**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 November 2017