

**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 or reviewed.

<b>GROUP (\$S'000)</b>						
	2Q FY19	2Q FY18	% +/( -)	1H FY19	1H FY18	% +/( -)
Revenue	18,202	10,226	78%	33,520	22,926	46%
Changes in inventories	4,013	(276)	NM	4,108	(3,303)	NM
Purchases of inventories	(18,800)	(7,246)	159%	(30,570)	(14,199)	115%
Gross profit	3,415	2,704	26%	7,058	5,424	30%
Other gains/(losses) - net	51	(2,101)	NM	(94)	2,315	NM
Other operating income	703	374	88%	1,325	684	94%
Staff cost	(2,072)	(1,617)	28%	(3,952)	(3,312)	19%
Depreciation	(473)	(481)	-2%	(938)	(971)	-3%
Other operating expenses	(877)	(945)	-7%	(1,667)	(1,540)	8%
Finance cost - net	-	-	0%	-	-	0%
Profit/(loss) before tax	747	(2,066)	NM	1,732	2,600	-33%
Income tax expense	(12)	(7)	71%	(24)	(14)	71%
Total profit/(loss)	735	(2,073)	NM	1,708	2,586	-34%
Other comprehensive (loss)/income :						
Items that may be reclassified subsequently to profit or loss:						
Currency translation differences arising from consolidation	(9)	48	NM	158	82	93%
Available-for-sale financial assets						
- Fair value losses	-	(7)	-100%	-	(55)	-100%
- Reclassification	-	(33)	-100%	-	84	-100%
	(9)	8	NM	158	111	42%
Items that will not be reclassified subsequently to profit or loss:						
Financial assets, at fair value through other comprehensive income ("FVOCI")						
- Fair value losses	(763)	-	NM	(604)	-	NM
Total comprehensive (loss)/income	(37)	(2,065)	-98%	1,262	2,697	-53%
Profit/(loss) attributable to Equity holders of the Company	735	(2,073)	NM	1,708	2,586	-34%
Total comprehensive (loss)/income attributable to						
Equity holders of the Company	(37)	(2,065)	-98%	1,262	2,697	-53%
Earnings/(losses) per share based on profit/(loss) attributable to equity shareholders:						
- Basic (cent) - see section 6	0.60	(1.70)		1.40	2.11	
- Diluted (cent) - see section 6	0.60	(1.70)		1.40	2.11	

NM : not meaningful

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

<b>GROUP (\$S'000)</b>				
	2Q FY19	2Q FY18	1H FY19	1H FY18
Dividend income	119	91	239	164
Interest income	212	116	378	285
Reclassification from other comprehensive income on disposal of available-for-sale financial assets	-	33	-	(84)
Gain on disposal of investment property	-	-	-	4,515
Investment property written off (Fixed assets W/O due to re-development of an investment property)	-	(2,185)	-	(2,185)
Loss on disposal of plant and equipment	(1)	-	(1)	-
Foreign exchange gain/(loss)	51	51	(94)	69
Finance cost-net is made up of :				
Interest expense	-	-	-	-
Foreign exchange loss arising from borrowings	-	-	-	-
Reversal of unutilised loss allowance for trade receivables	238	69	238	165

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

	<b>GROUP</b>		<b>COMPANY</b>	
	31.12.2018	30.06.2018	31.12.2018	30.06.2018
	\$'000	\$'000	\$'000	\$'000
<b>Current Assets</b>				
Cash and cash equivalents	37,988	45,995	11,207	7,093
Trade and other receivables	23,601	21,043	5,369	7,203
Inventories	36,467	32,359	17,199	15,375
Other current assets	252	206	125	62
Tax recoverable	78	67	-	-
Due from subsidiaries	-	-	9,434	8,363
	<b>98,386</b>	<b>99,670</b>	<b>43,334</b>	<b>38,096</b>
<b>Non-Current Assets</b>				
Available-for-sale financial assets	-	20,577	-	20,577
Financial assets, at FVOCI	19,998	-	19,998	-
Investment in subsidiaries	-	-	9,457	9,457
Loan to a subsidiary	-	-	29,338	29,499
Property, plant and equipment	18,818	19,181	77	89
Investment properties	32,161	32,053	26,919	27,155
	<b>70,977</b>	<b>71,811</b>	<b>85,789</b>	<b>86,777</b>
<b>Total Assets</b>	<b>169,363</b>	<b>171,481</b>	<b>129,123</b>	<b>124,873</b>
<b>Current Liabilities</b>				
Trade and other payables	6,380	6,565	3,332	3,734
Derivative financial instruments	-	218	-	218
Due to a subsidiary	-	-	-	1,153
Provision for directors' retirement gratuity	75	75	75	75
Borrowings	-	558	-	558
	<b>6,455</b>	<b>7,416</b>	<b>3,407</b>	<b>5,738</b>
<b>Non-Current Liabilities</b>				
Deferred income tax liabilities	14	14	-	-
Provision for directors' retirement gratuity	47	25	47	25
	<b>61</b>	<b>39</b>	<b>47</b>	<b>25</b>
<b>Total Liabilities</b>	<b>6,516</b>	<b>7,455</b>	<b>3,454</b>	<b>5,763</b>
<b>Net Assets</b>	<b>162,847</b>	<b>164,026</b>	<b>125,669</b>	<b>119,110</b>
<b>Share capital and reserves</b>				
Share capital	107,485	107,485	107,485	107,485
Treasury shares	(3,389)	(3,389)	(3,389)	(3,389)
Capital reserves	(558)	(558)	1,349	1,349
Currency translation reserves	(1,399)	(1,557)	-	-
Fair value reserves	(909)	(278)	(909)	(278)
Retained profits	61,617	62,323	21,133	13,943
	<b>162,847</b>	<b>164,026</b>	<b>125,669</b>	<b>119,110</b>

**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 31.12.2018		As at 30.6.2018	
Secured	Unsecured	Secured	Unsecured
-	-	-	558

**Amount repayable after one year ('000)**

As at 31.12.2018		As at 30.6.2018	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

**Details of any collateral**

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

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

	<b>Group (S\$'000)</b>			
	2Q FY19	2Q FY18	1H FY19	1H FY18
<b>Cash flow from operating activities</b>				
Total profit/(loss)	735	(2,073)	1,708	2,586
Adjustments for:				
- Income tax expense	12	7	24	14
- Property, plant and equipment and investment properties				
- Depreciation	473	481	938	971
- Loss/(gain) on disposal	1	-	1	(4,515)
- Written off	-	2,185	-	2,185
- Available-for-sale financial assets				
- Reclassification from other comprehensive income on disposal	-	(33)	-	84
- Interest income	(212)	(116)	(378)	(285)
- Interest expense	-	-	-	-
- Dividend income	(119)	(91)	(239)	(164)
	890	360	2,054	876
Change in working capital				
- Trade and other receivables	(4,714)	2,663	(2,776)	2,515
- Inventories	(4,013)	276	(4,108)	3,303
- Other current assets	(72)	132	(46)	108
- Trade and other payables	807	(522)	(185)	(3,304)
- Provision for director retirement gratuity	11	7	22	18
Cash (used in)/generated from operations	(7,091)	2,916	(5,039)	3,516
Income tax paid	(20)	(7)	(35)	(17)
Interest received	212	116	378	285
<b>Net cash (used in)/provided by operating activities</b>	<b>(6,899)</b>	<b>3,025</b>	<b>(4,696)</b>	<b>3,784</b>
<b>Cash flows from investing activities</b>				
Property, plant & equipment and investment properties				
- Purchases	(500)	(974)	(685)	(1,095)
- Proceeds from disposal	1	-	1	5,165
Financial assets, FVOCI/available-for-sale				
- Purchases	(963)	(7,527)	(1,506)	(8,528)
- Proceeds from disposal	1,069	1,227	1,481	8,126
Dividends received	119	91	239	164
<b>Net cash (used in)/provided by investing activities</b>	<b>(274)</b>	<b>(7,183)</b>	<b>(470)</b>	<b>3,832</b>
<b>Cash flows from financing activities</b>				
Purchase of treasury shares	-	-	-	(351)
Proceeds from borrowings	-	1,298	-	1,845
Repayment of borrowings	-	(1,077)	(558)	(1,722)
Dividend paid to shareholders	(2,441)	(2,441)	(2,441)	(2,441)
Interest paid	-	-	-	-
<b>Net cash used in financing activities</b>	<b>(2,441)</b>	<b>(2,220)</b>	<b>(2,999)</b>	<b>(2,669)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(9,614)</b>	<b>(6,378)</b>	<b>(8,165)</b>	<b>4,947</b>
Cash and cash equivalents at beginning of the financial period	47,611	63,914	45,995	52,555
Effects of currency translation on cash and cash equivalents	(9)	48	158	82
<b>Cash and cash equivalents at end of the financial period</b>	<b>37,988</b>	<b>57,584</b>	<b>37,988</b>	<b>57,584</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>	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2018	107,485	(3,389)	(558)	(1,557)	(278)	62,323	164,026
Total comprehensive income for 1 <sup>st</sup> quarter	-	-	-	167	159	973	1,299
Transfer upon disposal of investments	-	-	-	-	(19)	19	-
At 30 September 2018	107,485	(3,389)	(558)	(1,390)	(138)	63,315	165,325
Dividend paid	-	-	-	-	-	(2,441)	(2,441)
Total comprehensive (loss)/income for 2 <sup>nd</sup> quarter	-	-	-	(9)	(763)	735	(37)
Transfer upon disposal of investments	-	-	-	-	(8)	8	-
<b>At 31 December 2018</b>	<b>107,485</b>	<b>(3,389)</b>	<b>(558)</b>	<b>(1,399)</b>	<b>(909)</b>	<b>61,617</b>	<b>162,847</b>
<b>Group</b>							
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
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 <sup>nd</sup> quarter	-	-	-	48	(40)	(2,073)	(2,065)
<b>At 31 December 2017</b>	<b>107,485</b>	<b>(3,389)</b>	<b>(477)</b>	<b>(1,619)</b>	<b>543</b>	<b>62,610</b>	<b>165,153</b>

	Share Capital	Treasury Shares	Capital Reserves	Currency Translation Reserves	Fair Value Reserves	Retained Profits	Total Equity
<b>Company</b>	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2018	107,485	(3,389)	1,349	-	(278)	13,943	119,110
Total comprehensive income for 1 <sup>st</sup> quarter	-	-	-	-	159	861	1,020
Transfer upon disposal of investments	-	-	-	-	(19)	19	-
At 30 September 2018	107,485	(3,389)	1,349	-	(138)	14,823	120,130
Dividend paid	-	-	-	-	-	(2,441)	(2,441)
Total comprehensive (loss)/income for 2 <sup>nd</sup> quarter	-	-	-	-	(763)	8,743	7,980
Transfer upon disposal of investments	-	-	-	-	(8)	8	-
<b>At 31 December 2018</b>	<b>107,485</b>	<b>(3,389)</b>	<b>1,349</b>	<b>-</b>	<b>(909)</b>	<b>21,133</b>	<b>125,669</b>
<b>Company</b>							
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
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 <sup>nd</sup> quarter	-	-	-	-	(40)	(63)	(103)
<b>At 31 December 2017</b>	<b>107,485</b>	<b>(3,389)</b>	<b>1,430</b>	<b>-</b>	<b>543</b>	<b>15,314</b>	<b>121,383</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 2018	3,429,100	3,389
Purchases	-	-
Balance as at 31 Dec 2018	3,429,100	3,389

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

	31.12.18	30.06.18
Number of shares in issue excluding treasury shares	122,045,014	122,045,014

**(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**

Except as disclosed in Note 5 below, the Group has applied the same accounting policies and methods of computation in preparing the financial statement for the current accounting period compared with the most recently audited financial statements for the year ended 30 June 2018.

**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**

The Singapore Accounting Standards Council has issued a new Singapore financial reporting framework that is identical to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), referred to as Singapore Financial Reporting Standards (International) ("SFRS(I)").

As required by the listing requirements of the Singapore Exchange, the Group has adopted SFRS(I) on 1 July 2018 and is required to apply all of the specific transition requirements in SFRS(I) 1 First-time Adoption of SFRS(I). The Group has also concurrently applied the new SFRS(I) 9 Financial Instruments.

The Group has not early adopted any other 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 2018. These include SFRS(I) 16 Leases (effective for annual periods beginning on or after 1 July 2019). The Group is assessing the impact of the relevant new or revised accounting standards and interpretations.

#### (1) Application of SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International)

The Group has elected the deemed cost exemption to set the revalued amount of its investment properties comprising of freehold land and buildings of the Group which was performed as one-off valuation between 1 January 1984 and 31 December 1996 (both dates inclusive) as their deemed cost at the date of transition to SFRS(I) on 1 July 2017. As the Group had measured the revalued amount of its investment properties using the cost model since one-off valuation, there is no material impact on the financial statements of the Group as the Group plans to continue to measure its investment properties using the cost model.

#### (2) Adoption of SFRS(I) 9 Financial Instruments

SFRS(I) 9 is effective for annual periods beginning on or after 1 July 2018. The Group has elected to apply the short-term exemption under SFRS(I) 1, which exempts the Group from applying SFRS(I) 9 to comparative information. Accordingly, requirements of FRS 39 Financial Instruments: Recognition and Measurement will continue to apply to financial instruments up to the financial year ended 30 June 2018.

SFRS(I) 9 introduces new requirements for classification and measurement of financial instruments, impairment of financial assets, and hedge accounting. SFRS(I) 9 also introduces expanded disclosure requirements and changes in presentation.

##### (a) Classification and measurement

The Group has assessed the business models that are applicable on 1 July 2018 to financial assets so as to classify them into appropriate categories under SFRS(I) 9.

Significant adjustments to the Group's balance sheet line items are as follows:

- Equity investments previously classified as financial assets, available-for-sale ("AFS") to financial assets, fair value through other comprehensive income ("FVOCI") The Group has elected to recognise changes in the fair value of debt and equity investments previously classified as AFS in other comprehensive income.

##### (b) Impairment of financial assets

The following financial assets have been subjected to the expected credit loss model under SFRS(I) 9:

- trade receivables recognised under SFRS(I) 15;
- other receivables at amortised cost.

There is no material change in the provision for impairment for the above financial assets from the application of the expected credit loss impairment model.

#### Impact on the comparatives for the First Half 2018 Financial Information

The financial effects of adopting SFRS(I)s are as follows:

	As at 01.07.2018 reported under SFRS(I)s	As at 30.06.2018 reported under SFRS*	As at 01.07.2017 reported under SFRS(I)s	As at 01.07.2017 reported under SFRS*
<b>Group Balance Sheets</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Financial assets, available-for-sale	-	20,577	20,827	20,827
Financial assets, at FVOCI	<b>20,867</b>	-	-	-
Retained earnings	<b>62,323</b>	62,323	62,465	62,465

\* Singapore Financial Reporting Standards

**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 31.12.18 (note 1)	3 months ended 31.12.17 (note1)	6 months ended 31.12.18 (note 1)	6 months ended 31.12.17 (note1)
Earnings/(losses) per share based on profit attributable to equity shareholders:				
(a) Basic (cent)	0.60	(1.70)	1.40	2.11
(b) Diluted (cent)	0.60	(1.70)	1.40	2.11

*Note 1 : The basic & diluted earnings per share is calculated based on the weighted average number of ordinary shaes of 122,045,014 (1HFY18: 122,291,056) 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	
	31.12.18	30.06.18	31.12.18	30.06.18
Net Asset Value per ordinary share (cents)	133.43	134.40	102.97	97.60

*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 (30.06.18: 122,045,014).*

- 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				
	2QFY19	1QFY19	2QFY18	1HFY19	1HFY18
<b>Revenue</b>	18,202	15,318	10,226	33,520	22,926
<b>Gross Profit</b>	3,415	3,643	2,704	7,058	5,424
<b>GP %</b>	18.8%	23.8%	26.4%	21.1%	23.7%

The Group reported a revenue of \$18.2M for 2QFY19, an increase of 19% from the revenue reported for 1QFY19 of \$15.3M. 2QFY19 revenue improved 78% when making year-on-year comparison with 2QFY18 revenue of \$10.2M. This was due to a steady rise in the demand for steel products since the second half of calendar year 2018. As such, 1HFY19 revenue also increased to \$33.5M when compared with 1HFY18 revenue of \$22.9M.

Gross profit for 2QFY19 of \$3.4M was better than the \$2.7M reported for 2QFY18. The gross profit for 1HFY19 of \$7.1M was also higher than \$5.4M reported for 1HFY18 in tandem with the higher revenue generated.



However, gross profit margin for the quarter dipped to 18.8% (1QFY19: 23.8%) from 26.4% in 2QFY18 due to a bigger proportion of the revenue being made up of structural steel products sold on project basis which fetched a comparatively lower profit margin. Gross profit margin of 21.1% for 1HFY19 was lower than the 23.7% achieved in 1HFY18 mainly attributable to higher unit costs & difference in sale mix.

#### **Other gains/(losses)**

In 2QFY19, other gains were \$51K (2QFY18:\$2,101K losses). These other gains comprised foreign exchange gain whereas 2QFY18 other losses included the write-off of the carrying amount of an investment property arising from the decision to re-develop it.

#### **Other operating income**

Other operating income for 2QFY19 rose to \$703K from \$374K for 2QFY18 mainly attributable to higher rental income, interest income and dividend income earned in the reporting quarter.

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

Staff cost increased to \$2.1M in 2QFY19 from \$1.6M reported for 2QFY18 as the Group set aside higher incentives in line with the better performance.

Depreciation decreased from \$481K in 2QFY18 to \$473K in 2QFY18 as one of its investment properties was being redeveloped.

Other operating expenses for 2QFY19 were lower at \$877K when compared with \$945K for 2QFY18 because expenses in the reporting quarter were moderated by a write-back of allowance for doubtful trade receivables amounting to \$238K (2QFY18: \$69K).

The Group incurred negligible finance cost for both 2QFY19 and 2QFY18. The Group paid off its debts as and when they fall due so as to minimise finance cost.

Although the Group has tax losses brought forward from previous years, it had to recognise a tax expense of \$12K in 2QFY19 (2QFY18: \$7K) due to tax provision arising from an overseas tax jurisdiction.

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

The Group reported a net profit of \$0.7M for 2QFY19, in contrary to the net loss of \$2.1M for 2QFY18. The loss incurred during the corresponding quarter of the preceeding financial year was mainly the result of the write-off of carrying amount of an investment property for re-development purposes.

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

##### **Non-current assets**

As at the end of 2QFY19, the Group had financial assets, at FVOCI (previously termed as Available-for-sale financial assets) amounting to \$20.0M (4QFY18: \$20.6M) as it continued to fine tune the composition of its portfolio in response to market changes.

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

During the period, trade and other receivables rose to \$23.6M from \$21.0M (4QFY18) in tandem with the increased turnover.

Inventories increased to \$36.5M from \$32.4M (4QFY18) due to rising costs and replenishment of its inventories holding.

Trade and other payables declined to \$6.4M from \$6.6M (4QFY18) as the Group utilised its cash reserves to pay down its liabilities as and when they fell due. There were no outstanding borrowings as at 1QFY19 as opposed to \$0.6M for 4QFY18.

The Group continued to post a healthy level of current ratio of 15.2 times (4QFY18: 13.4 times).

### **Share capital and reserves**

Fair value reserves stood at \$909K, debit balance, as at 2QFY19 (4QFY18: \$278K debit balance) due to a depreciation in the market values of the Group's financial assets, at FVOCI.

### **Cash flow**

During the quarter, the Group incurred net cash outflow of \$6.9M (2QFY18: \$3.0M net cash inflow) from its operations. The Group further incurred a net cash outflow of \$0.3M (2QFY18: \$7.2M) from its investing activities and \$2.4M (2QFY18: \$2.2M) from its financing activities. These had resulted in a reduction of \$9.6M (2QFY18: \$6.4M) 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**

As US and China continue their trade negotiations in the coming months, the uncertainties arising from these negotiations are creating unease for the world economy. Market demand for steel products is expected to become softer in the short term as the world awaits the outcome from these talks. Oil prices had also moderated downward from its recent peak and hence dampening demand slightly.

Other developments like Brexit and recent US government shutdown are probably causing businesses to adopt a more cautionary approach for 2019. All of these events have led to a lower global economy growth forecast.

In the light of these headwinds, the Group will continue to be cautious in its stock management. It hopes to replenish and hold optimal level of inventories to respond timely to changing demand patterns.

### **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? Yes.

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

**(c) Date payable**

Not applicable.

**(d) Books closure date**

Not applicable.

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

No dividend has been proposed by the Board for this quarter as the Group is preserving its cash reserves to support operational needs and to pursue strategic business opportunities.

**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 2018 to be false or misleading in any material aspect.

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

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

**BY ORDER OF THE BOARD**

Tan Ching Chek  
Company Secretary  
1 February 2019