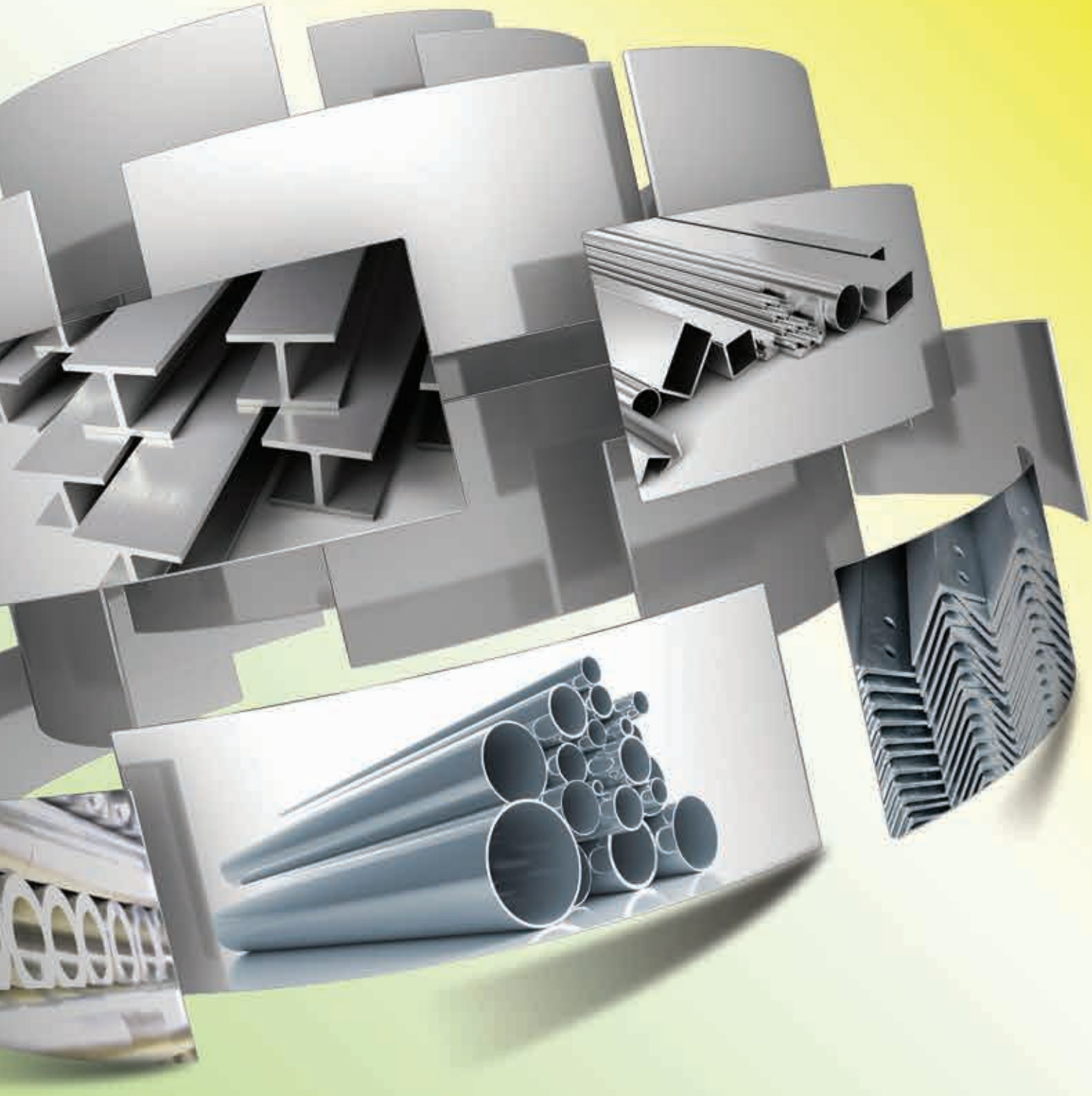
HUPSteel

ANNUAL REPORT 2017



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.

ENTER-PRISING

- 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.

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VISION, MISSION AND VALUES

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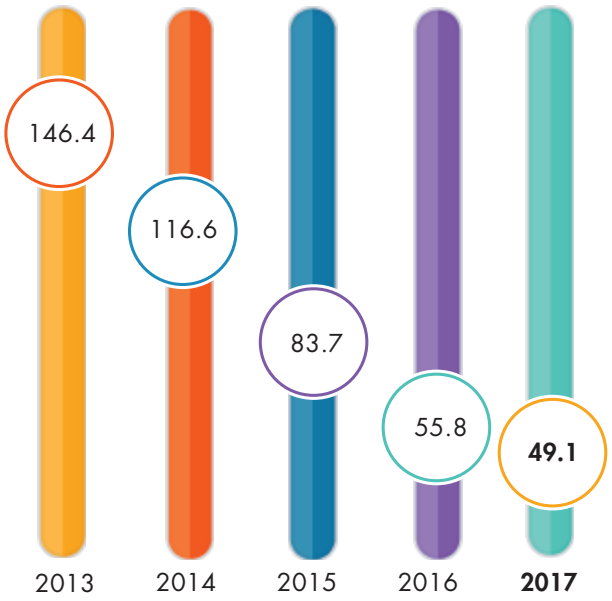
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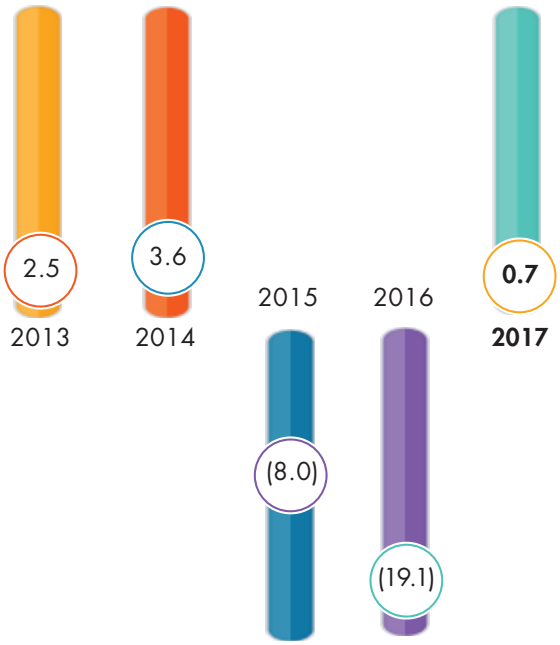
PROXY FORM

FINANCIAL HIGHLIGHTS

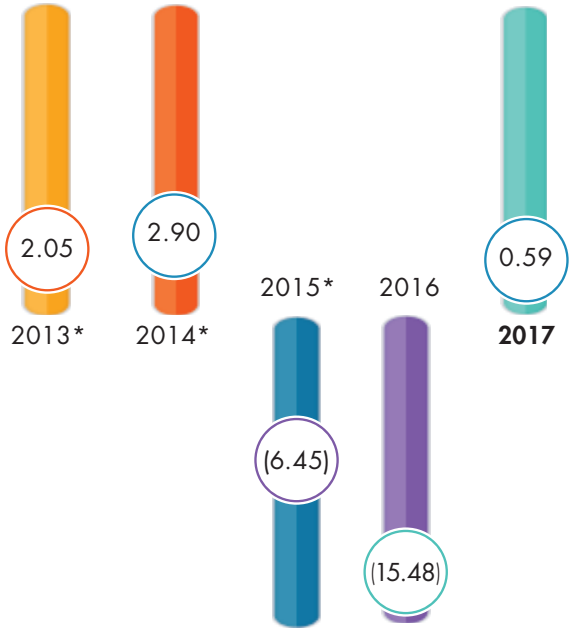
REVENUE ($'M)



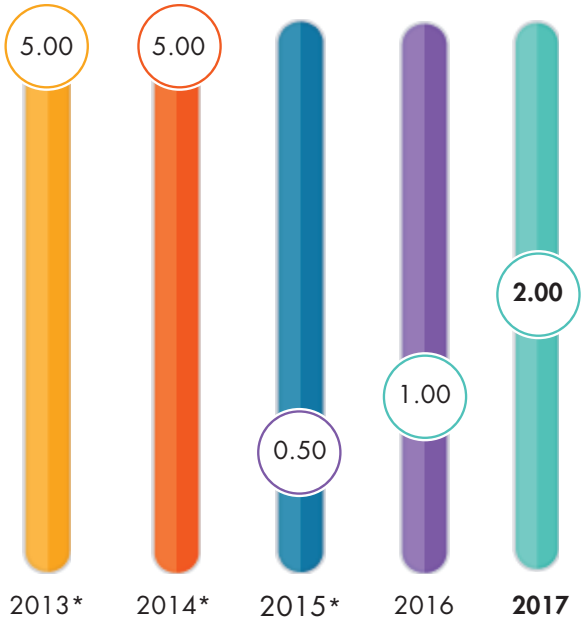
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS ($'M)



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 BY GEOGRAPHICAL LOCATIONS

	FY2017 $'000	FY2016 $'000	FY2015 $'000	FY2014 $'000	FY2013 $'000
Singapore	33,946	39,520	57,893	70,305	75,414
Malaysia	8,585	8,725	11,384	16,399	20,641
Other South East Asia Countries	3,201	4,159	9,954	25,119	46,585
Other Countries	3,338	3,346	4,424	4,745	3,773
	49,070	55,750	83,655	116,568	146,413
Results of Operation					
Revenue	49,070	55,750	83,655	116,568	146,413
Net profit/(loss) attributable to shareholders	720	(19,094)	(7,951)	3,551	2,538
Earnings/(losses) per share (cents)	0.59	(15.48)	(6.45)^	2.90^	2.05^
Net asset value per share (cents)	134.91	134.51	150.80^	162.90^	162.20^
Gross dividend per share (cents)	2.00*	1.00	0.50^	5.00^	5.00^

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

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

	FY2017 $'000	FY2016 $'000	FY2015 $'000	FY2014 $'000	FY2013 $'000
Financial Position					
Property, plant and equipment	20,207	21,529	23,031	24,498	25,986
Other non-current assets	54,517	55,250	55,531	49,125	34,324
Non-current assets	74,724	76,779	78,562	73,623	60,310
Current assets	98,033	97,733	114,840	142,500	163,711
Current liabilities	6,672	7,817	6,892	14,236	22,149
Net current assets	91,361	89,916	107,948	128,264	141,562
Non-current liabilities	837	770	485	962	1,022
Net assets	**165,248**	**165,925**	**186,025**	**200,925**	**200,850**
Share capital	104,447	104,987	104,987	104,987	105,520
Capital reserves	(1,664)	(2,035)	(1,646)	(864)	(1,007)
Revenue reserves	62,465	62,973	82,684	96,802	96,337
Total Equity	**165,248**	**165,925**	**186,025**	**200,925**	**200,850**

BUILDING ON
OUR CORE VALUES



CHAIRMAN'S MESSAGE



FOR THE FULL FINANCIAL YEAR ENDED 30 JUNE 2017, IT REPORTED NET PROFIT AFTER TAX OF $0.72M, TURNING AROUND FROM TWO CONSECUTIVE YEARS OF LOSSES.

DEAR SHAREHOLDERS,

THE YEAR IN REVIEW

Hupsteel Limited and its group of companies ('Hupsteel') journeyed through the last financial year ended 30 June 2017 ('FY17') amidst continued challenging economic and business conditions affecting the marine, oil & gas industries.

While global and local economies have started to report growth during the period, oil prices had remained relatively low. The low oil prices hardly spurred activities in the market resulting in weak demand for new exploration assets. Singapore, being a renowned centre for the construction of such related assets, has been badly hit and recovery in this sector was non evident in the last financial year and is difficult to foresee in the near term.

Turnover for the financial year was largely derived from supplying materials to meet routine repair and maintenance requirements from many of the Group's existing customers. Proportionally, supplies to construction of infra-structure projects had picked up and become relatively large in the light of declining sales to the marine, oil & gas sectors.

Revenue for FY17 dropped 12% to $49.1M from $55.8M reported for financial year ended 30 June 2016 ('FY16'). However, the Group achieved an improved FY17 annual gross profit of $12.8M from the $2.1M reported in FY16 as the Group did not have to make large impairments for the diminution in value of its stock compared to the $10.6M made for diminution that was accounted for when computing FY16 gross profits.

As the Group experienced lower volume in FY17, it took steps to implement measures to contain costs. As such, it managed to reduce FY17 staff cost by 15% from $7.8M to $6.6M. In line with the reduced volume, other operating expenses were also much lower compared to the previous year where it included an impairment against trade receivables of $5.1M (FY17:$0.2M).

With better gross profits achieved throughout FY17 and lower expenses incurred, the Group was able to report quarterly net profits after tax for the last 3 quarters. For the full financial year ended 30 June 2017, it reported net profit after tax of $0.72M, turning around from two consecutive years of losses.

Over the last two years, the Group brought about a renewal of its leadership. In December 2016, Mr Lim Kim Thor, who had been the Chief Executive Officer

CHAIRMAN'S MESSAGE

('CEO') of the Group since its public listing in 1994, passed the baton to Mr Lim Boh Chuan, who had been Co-CEO & MD since March 2015. Mr Lim Kim Thor has remained with the Group as an Executive Director in charge of the oil & gas business. We are glad that the transition had been smooth and look forward to Mr Lim Boh Chuan's leadership to bring the Group to the next phase of growth.

On behalf of the Board and shareholders, I would like to extend our greatest appreciation to Mr Lim Kim Thor for years of tireless leadership and steering the Group through numerous market downturns and crises. The vast amount of experiences that he had accumulated over the years would be a ready source which the current management team could tap on.

The Independent Directors had played a significant role in managing the leadership renewal. They had considered the views of various parties, mediated among them and provided clear direction on succession planning, always conscious on the need to safeguard the core businesses of the Group. In this aspect, I would like to extend my appreciation of thanks to my fellow Independent Directors who had worked tirelessly and provided invaluable guidance on the matter.

With Mr Lim Boh Chuan taking over the leadership of the Group, I would like to rally the management, staff and shareholders to give our support to him so that he might bring the Group through the current challenging business conditions and lay a strong foundation for future growth.

OUTLOOK & FORWARD

With continuing unfavourable conditions of weak oil prices, fears of US interest rate hikes, uncertainty surrounding Brexit negotiations, unabated terrorist threats and global political tensions, the new financial year remains a challenging one.

Recovery in the marine, oil & gas sectors will be slow. The Group will need to engage its customers more intensely and find new ways of collaborating with them to open up more opportunities that are beneficial to both parties. We have to tap on each other's strengths to overcome difficulties and the current market doldrums.

Under the new leadership, the Group will strive to take stock of its achievements so far and strategize for new growth impetus. It will have to transform its traditional ways of doing business and inculcate new mindset.

Although the property market has yet turned around, the Group is seeking ways to achieve returns from its portfolio of properties held. It is looking for good quality tenants for its building located at 6 Kim Chuan Drive and had recently sold a shophouse unit at Jalan Besar for a handsome gain over its net book value. More action will be taken on its remaining properties in anticipation of a recovery in market conditions and shareholders will be kept abreast of any new development.

DIVIDEND

The Directors are pleased to recommend a final tax exempt dividend of 1 cent per share and a special tax exempt dividend of 1 cent per share for FY17 which is subject to shareholders' approval at the coming AGM. This recommended dividend is higher than the dividend paid in FY16, which was 1.0 cent per share. 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
27 September 2017

OPERATION REVIEW



GENERAL

During the financial year ended 30 June 2017 ('FY17'), the Group continued to face weak demand for its steel products primarily caused by the low oil prices. Oil prices which had hovered below US$60 per barrel since early 2016 had resulted in drastic reduction in demand for new oil exploration and related assets for many local & overseas shipyards. The sudden and rapid disappearance of these orders had caused more shipyards, particularly local shipyards, to face immediate financial and liquidity crisis.

As a result, many of these businesses landed in dire financial straits and defaulted on loan and interest payments. They were forced to undergo painful financial re-structuring in order for them to continue and face the stark prospect of not being able to recover.

The US Federal Reserve made 2 further rate hikes since raising interest rate in December 2015. These rate hikes were made in response to the growing US economy and inflation rates and caused the US dollar to strengthen in the process. In general, the global economy growth was stable with oil prices fluctuating within a tight range.

After the surprise UK vote to exit the Eurozone, the world witnessed the election of political novices in Mr. Donald Trump to the US Presidency and Mr. Emmanuel Macron as the French President. With the new US administration still unable to find solid footing and faced with some initial setbacks in delivering campaign promises, US dollar had lost some of its strength gained earlier but US economy and its stock market had remained relatively resilient.

Other global economies like China, Japan and Eurozone had continued with steady growth. The Euro dollar had been gaining strength progressively despite ongoing negotiations with UK on their exit from Eurozone. The positive sentiment emanating from the up and coming Germany elections would likely to strengthen the Euro dollar further.

OPERATION REVIEW

Large scale military actions in Middle East countries were reported to be effective in regaining territories lost to the terrorists. Geopolitical tensions in Asia had also escalated with North Korea constantly conducting missile tests and military actions taken against terrorists recently in the Philippines.

PIPES, FITTINGS & STRUCTURAL STEEL

Against the backdrop of low oil prices, demand for pipes, fittings and structural steel products had remained in the doldrums in FY17. Many shipyards which the Group served had hardly announced any orders for new rigs and vessels in FY17. These marine offshore related businesses were so hard pressed for orders that many suffered severe liquidity crunches which led a number of them seeking to restructure their loans and borrowings. Some of them had defaulted in their interest payments and had to seek legal protection against disgruntled creditors and investors.

As a result, demand arising from this sector had diminished further compared with the previous year. The weaker demand was one of the reasons for the lower revenue reported for the last 3 quarters when compared with their respective corresponding quarters. The reduced transaction volume with these customers had however helped to reduce the exposure to credit risks associated with them.

In order to fill the demand void left by these offshore marine customers, the Group had to compete intensely for orders supplying to the repair & maintenance needs of the oil & gas and marine sectors and requirement in the construction, engineering and others. Fierce competition meant that the Group had to moderate prices to secure orders and thereby contributing to the lower revenue reported.

Faced with diminished demand and tough competition in the market, the Group responded by making small regular purchases to avoid being saddled with the burden of holding large quantity of slow moving inventory and making sure that commonly required sizes were readily available to meet customers' needs. It also actively seek collaboration opportunities with some of its customers to work together on their projects.

During the financial year, the Group also had to face rising supply prices from mills as there was pick-up in demand in the US & European markets together with the slowly improving prices of coals and iron ore. Some mills which had removed part of its capacity in response to the earlier slowdown in global demand were now taking a longer lead time to make deliveries as their reduced capacity were being fully utilised. These developments could be early signal of a gradual recovery in the steel trade in the global markets. However, the Singapore market would still be affected by the dismal situation lingering in the offshore marine sector.

There were 2 further rate hikes after the US Federal Reserve announced the first hike in interest rate in December 2015. The combined effect of the buoyant US stock market following the election of Mr Donald Trump as the US President & the rate hikes strengthened the US dollar in the process. The stronger US dollar translated into higher inventory costs for the Group.

With rising steel prices and stronger US dollar, gross profit margins eroded in the last quarter of FY17 to 25.2% from 27.1% reported for the 3rd quarter of FY17. Year-on-Year, gross profit margin for FY17 was 26.1% compared to a weak margin of 3.8% for FY16 due to the hefty impairment for stock obsolescence of $10.6M taken up for that financial year.

OPERATION REVIEW

GENERAL HARDWARE & PROPERTIES

The general hardware segment included the supply of racking, industrial adhesives and industrial tools to mainly the construction sector. This business segment contributed $6.7M (FY16:$7.3M) to the Group's turnover in FY17 and had remained profitable. Business was slightly affected by a sudden dip in demand from the construction sector during the last quarter of FY17. With the local construction sector, including public housing projects, not showing any significant spike and being faced with stiff competition from other suppliers, this segment would continue to introduce new products and expand its customers base to its offering to maintain its business volume.

The Group managed to sell one of its shop house at 359 Jalan Besar in late June 2017 via auction and was sold above its market valuation. As the transfer of the property only occurred in August 2017, the resulting gain from the disposal would be recognised in the results for the quarter ended 30 September 2017. The Group would continue to study options for its remaining investment properties held. Appropriate announcements would be made for any action taken on them.

Most of its investment properties were tenanted out for rental income. Due to cooling measures introduced earlier and oversupply of office and industrial spaces in the local market, rental rates were still facing downward pressure for the most of FY17. The Group had been working hard to rent out its new industrial building at 6 Kim Chuan Drive during the financial year. There were a few interested parties and would be looking forward to securing a tenant for it soon.

FINANCIAL REVIEW

For FY17, revenue was $49.1M, declining about 12% from $55.8M for FY16 in the midst of low market demand and sustained low oil prices throughout the financial year. With businesses in the offshore marine sector facing dire financial difficulties and unable to secure new orders, demand for most of the Group's steel products had fallen.

When oil prices begun its steep fall in FY16, resulting in the drastic reduction in orders for new rigs and related assets and forced the offshore marine business into a rapid decline. As a result, the Group had to make an impairment against its stock holding for an amount of $10.6M (FY17:$30K) which caused its gross profit to fall to $2.1M. The Group responded swiftly to the market conditions by adjusting its purchasing strategy to avoid taking another large stock impairment in FY17. This had allowed the Group to report a gross profit of $12.8M for FY17.

Other losses of $0.5M (FY16: 1.3M) was mainly due to unrealised foreign exchange translation loss arising from the translation of foreign currency denominated debts, available-for-sale financial assets and foreign currency denominated payables.

Other operating income comprised mainly of rental, interest and dividend income had remained relatively stable at $2.0M (FY16:$2.0M). The majority of these assets were managed by professional managers and they regularly engaged the Group to review its composition.

OPERATION REVIEW

Staff cost fell 15% to $6.6M from $7.8M after the Group took steps to implement cost saving measures in FY17. Among the steps taken included initiatives to help to reduce salaries, minimum provision for incentives and no replacement for positions left vacant. Other operating expenses fell from $11.4M in FY16, which had included an impairment for trade receivables of $5.1M, to $4.9M and was in line with the lower volume reported.

Without the needs to set aside impairments for stock and trade receivables, the Group managed to report a net profit after tax of $720K (FY16: loss of 19.1M).







CORPORATE

The Group is proposing a final tax exempt dividend of 1 cent per share and a special dividend of 1 cent per share for the financial year ended 30 June 2017 subject to shareholders' approval at the coming AGM. This compares to 1.0 cent per share paid for the financial year ended 30 June 2016.

LIM BOH CHUAN
CEO & MD
Chairman, Executive Committee

BOARD OF DIRECTORS



ONG KIAN MIN
Non-Executive Chairman

Mr Ong Kian Min, 58, 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 of Singapore from January 1997 to April 2011.



LIM KIM THOR
Director

Mr Lim Kim Thor, 64, 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. As part of succession planning, he passed the leadership to Mr Lim Boh Chuan on 16 December 2016 and stay on with the Group as an Executive Director in charge of the pipe & fitting business and related products and assist the CEO on the execution of the Group's business strategy and business expansion. He remains as a member of the Executive Committee and now assist the CEO to oversee the pipe & fitting operation. 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 has always been serving actively with the Singapore Metal and Machinery Association and he is the Vice President of its 43rd council (2016-2017).



LIM BOH CHUAN
Director

Mr Lim Boh Chuan, 59, 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. He remained as the CEO & Managing Director of the Group when Mr Lim Kim Thor relinquished both roles as part of the Group's succession plan on 16 December 2016. Mr Lim is responsible for the 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.



LIM BEO PENG
Director

Mr Lim Beo Peng, 56, 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 43rd Honorary Committee (2016-2017) of the Singapore Metal & Machinery Association.

BOARD OF DIRECTORS



LIM ENG CHONG
Director

Mr Lim Eng Chong, 60, 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.



LIM PUAY KOON
Director

Dr Lim Puay Koon, 57, 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.



LIM CHEE SAN
Independent Director

Mr Lim Chee San, 57, 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.



CHAN KAM LOON
Independent Director

Mr Chan Kam Loon, 57, 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.

JOSEPH LIM HAN LEONG

Mr. Joseph Lim was appointed as an Executive Director of Hoe Seng Huat Pte Ltd on 1st March 2017. Before his appointment, he held the position of Sale Manager in 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 responsible for leading the company to achieve sale targets set by the management, involve in inventory purchasing strategies, develop new markets and seeking new business opportunities. Mr. Joseph Lim holds a Bachelor of Science degree from Indiana University in Bloomington, USA.

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.

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 and Accreditation & Certification sub-committee. Ms Lazarous holds a Bachelor of Arts in Human Resource Management with Organizational 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 Chief Executive Officer & Managing Director
MR LIM BEO PENG Deputy Managing Director
MR LIM KIM THOR Executive Director
MR LIM ENG CHONG Non-executive Director
DR LIM PUAY KOON Non-executive Director
MR PHILIP CHAN KAM LOON Independent, Non-executive Director
MR LIM CHEE SAN Independent, Non-executive Director

EXECUTIVE COMMITTEE

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

AUDIT COMMITTEE

MR PHILIP CHAN KAM LOON 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 Philip Chan Kam Loon

COMPANY SECRETARY

Ms Tan Ching Chek
Ms Teo Ah Hiong

REGISTERED ADDRESS

116 Neythal Road
Singapore 628603

BUSINESS OFFICE

116 Neythal Road
Singapore 628603
Tel: (65) 6419 2121
Fax: (65) 6419 2113
Website: www.hupsteel.com

SHARE REGISTRAR

RHT Corporate Advisory Pte. Ltd.
9 Raffles Place #29-01
Republic Plaza Tower 1
Singapore 048619
Tel: (65) 6381 6888

AUDITORS

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 November 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 and practices that were in place for the financial year ended 30 June 2017 with reference to the Code. Explanations have been provided where there are deviations from 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 Beo Peng and Mr Lim Kim Thor.

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 will be given orientation by way of briefings by the management on the business activities of the Group and its strategic directions as well as their duties and responsibilities as directors. The directors are also updated on changes in the operating environment, laws and regulations affecting the Group. Where necessary and when opportunity arises, independent directors will be invited for plant visits at the key manufacturing facilities to enhance their understanding of the Group's business and operations.

CORPORATE GOVERNANCE

Newly appointed Directors will also be recommended by the Nominating Committee to attend training in the roles and responsibilities of a listed company director if they do not have any prior experience.

To keep abreast with developments in corporate, financial, legal and other compliance requirements, Directors are encouraged to attend relevant courses, conferences and seminars funded by the Company.

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	AC	NC	RC	EC	Date of first appointment	Date of last re-election
Ong Kian Min	Non-Executive Chairman, Independent Director	MBR	CHM	–	–	30/12/2003	29/10/2013
Lim Boh Chuan	Chief Executive Officer and Managing Director	–	–	–	CHM	06/08/1983	N.A.
Lim Beo Peng	Deputy Managing Director	–	–	–	MBR	01/08/1993	29/10/2015
Lim Kim Thor	Executive Director	–	–	–	MBR	27/01/1978	*
Lim Eng Chong	Non-Executive Director	–	MBR	MBR	–	26/06/1992	30/10/2014
Dr Lim Puay Koon	Non-Executive Director	MBR	–	–	–	01/08/1993	22/10/2016
Philip Chan Kam Loon	Independent Director	CHM	–	MBR	–	01/11/2006	29/10/2015
Lim Chee San	Independent Director	MBR	MBR	CHM	–	01/11/2006	22/10/2016

Legend:

CHM : Chairman; MBR: Member;
AC : Audit Committee; NC: Nominating Committee; RC: Remuneration Committee; EC: Executive Committee
N.A. : Under Article 84 of the Company's Constitution, Managing Director is not required to retire and stand for re-election, Mr Lim Boh Chuan is currently holding the office of Managing Director.
* : Mr Lim Kim Thor was a Managing Director from his appointment until 16 December 2016.

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 Beo Peng and Mr Lim Kim Thor.

For expediency, Board papers supplement Board meetings and Board members are free to seek further clarification and explanation from management on the Board papers circulated. All directors have unrestricted access to the Company's records and information and the independent directors have access to all levels of senior executives and are free to speak to other employees to seek further information.

To facilitate the convening of ad-hoc Board meetings as and when the need arises, the Company's Constitution allows Board meetings to be conducted by way of tele-conferencing or video-conferencing.

CORPORATE GOVERNANCE

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 are 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 Boh Chuan	4	4	–	–	–	–	–	–	5	5
Lim Beo Peng	4	4	–	–	–	–	–	–	5	5
Lim Kim Thor	4	4	–	–	–	–	–	–	5	5
Lim Eng Chong	4	4	–	–	2	2	2	2	–	–
Dr Lim Puay Koon	4	4	4	4	–	–	–	–	–	–
Philip Chan Kam Loon	4	4	4	4	2	2	–	–	–	–
Lim Chee San	4	4	4	4	2	2	2	2	–	–

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 and not based on gender. 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 Boh Chuan is the Chief Executive Officer ("**CEO**") and Managing Director of the Company. The Chairman of the Company and the CEO are separate persons and are not related to each other. There is a clear segregation of the roles and responsibilities between the Chairman and the CEO.

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 CEO bears executive responsibilities for the Group's business. The CEO oversees the daily running of the Group's operations and is responsible for executing strategies and policies adopted by the Board.

CORPORATE GOVERNANCE

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 whom (including the Chairman) are Independent and Non-Executive, is 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)

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 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 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**").

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

Dates of first appointment and last re-election can be found in principle 2. Mr Ong Kian Min and Mr Lim Kim Thor 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 Mr Ong Kian Min and Mr Lim Kim Thor 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 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.

CORPORATE GOVERNANCE

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 judgement, 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.

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.

No external facilitator had been engaged by the Board for this purpose.

CORPORATE GOVERNANCE

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.

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 Non-Executive)
Philip Chan Kam Loon (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.

CORPORATE GOVERNANCE

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 use 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.

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 (%)
$250,001 – $500,000					
Lim Boh Chuan	72	8	18	2	100
Lim Beo Peng	77	5	16	2	100
Lim Kim Thor	74	8	16	2	100
Below $250,000					
Lim Eng Chong	–	–	–	100	100
Dr Lim Puay Koon	–	–	–	100	100
Ong Kian Min	–	–	–	100	100
Philip Chan Kam Loon	–	–	–	100	100
Lim Chee San	–	–	–	100	100

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 2017. The total remuneration paid to top 5 employees who are key management personnel for the financial year ended 30 June 2017 was $564,000 (FY16: $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	93	7	100
Peck Kim Gee	93	7	100
Teo Boon Tat	91	9	100
Teo Leong Seng	92	8	100
Yap Chuen Kong	91	9	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 a Director who received $100,000 to $150,000
Joseph Lim Han Leong – Brother of Mr Lim Beo Peng
Joe Lim Kim San – Brother of Mr Lim Kim Thor

Related to a Director who received $50,000 to $100,000
Andrina Lim – Sister of Mr Lim Beo Peng
Lim Boh Wee – Son of Mr Lim Kim Thor

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.

The AC comprises four directors of whom three are Independent Non-Executive and one Non-Independent and Non-Executive. All members have accounting or financial management expertise.

CORPORATE GOVERNANCE

The composition of AC is as follows:–

Philip Chan Kam Loon (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 discussed with Management the accounting principles that were applied and their judgment of items that affect the integrity of the financial statements. The following significant issues were discussed with Management and the External Auditor and reviewed by the AC in respect of FY2017:

Matters Considered	**Audit Committee's comments**
Assessment of impairment of inventory	The Audit Committee considered the appropriateness of the approach and method applied to determine the adequacy relating to the impairment of inventory. The Audit Committee also discussed with the external auditor on their evaluation based on management inputs and publicly available information.
Assessment of impairment of trade receivables	The Audit Committee considered the appropriateness of the approach and method applied to determine the adequacy relating to the impairment of trade receivables. The Audit Committee discussed with the external auditor and management on the recoverability of individual accounts that had been long outstanding.

The AC has full access to and co-operation from Management and meets the External and Internal Auditors without the presence of Company's Management for the year in review. In addition, updates on changes in accounting standards and treatment 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 2018. 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 the Rule 715 of the Listing Manual in relation to its auditing firm.

CORPORATE GOVERNANCE

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 $126,000 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 or third parties haves access to the AC Chairman to raise concerns about improprieties. Contact details of the AC Chairman are made available to all staff and third parties. There was no complaint received up to the date of this report.

The Board had received assurance from the CEO 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.

The Board is satisfied that internals, including financial, operational, compliance and information technology control and risk management systems were adequate and effective in the year under review. Further discussions of risk areas are found in the section labelled 'Risk Management'.

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. 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 2017 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.

CORPORATE GOVERNANCE

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.

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 conducts 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.

CORPORATE GOVERNANCE

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.

Directors of the Company are required to report all dealings to the Company Secretary within two working 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 2017.

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 FY2017, exports accounted for 31% of the Group's revenue as compared to 29% in FY2016. 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$. The Group is exposed to fluctuations in foreign exchange rates particularly as its sales and purchases are denominated in different currencies. For FY2017, approximately 73% of its total purchases were made in US$, whilst approximately 88% of its total sales were denominated in S$, 7% in US$ 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.

Operational risk

Operational risk refers to potential loss resulting from a breakdown of internal processes, deficiencies in people and management or operational failure arising from external events. The operational risk management process instituted in the Group is to minimize unexpected losses and manage expected losses. This process is supported by a team of experienced management staff and key personnel and it is critical in enhancing the Group's operational risk management process.

Information technology risk

The Group has in place information technology management controls and practice industrial recommended security control so as to ensure an appropriate level of security awareness by users of the Group's IT systems and safeguard its databases.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

The directors present their statement to the shareholders together with the audited financial statements of the Group for the financial year ended 30 June 2017 and the balance sheet of the Company as at 30 June 2017.

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 39 to 91 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 2017 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 Beo Peng
Mr Lim Kim Thor
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 30.06.2017	At 01.07.2016	At 30.06.2017	At 01.07.2016
Company				
(No. of ordinary shares)				
Lim Boh Chuan	7,240,050	7,240,050	18,603,000	18,603,000
Lim Kim Thor	6,880,980	6,880,980	18,639,000	18,639,000
Lim Eng Chong	4,520,430	4,520,430	18,603,000	18,603,000
Lim Puay Koon	7,240,500	7,240,500	18,603,000	18,603,000
Lim Beo Peng	2,680,710	2,680,710	–	–

DIRECTORS' STATEMENT

(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 2017 were the same as at 30 June 2017.

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 2017

INDEPENDENT AUDITOR

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

On behalf of the directors

Lim Boh Chuan
Director

Lim Beo Peng
Director

29 September 2017

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HUPSTEEL LIMITED AND ITS SUBSIDIARIES

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the accompanying consolidated financial statements of HUPSteel Limited ("the Company") and its subsidiaries ("the Group") and balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ("the Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

What we have audited

The financial statements of the Company and the Group comprise:

- the consolidated statement of comprehensive income of the Group for the year then ended;
- the consolidated balance sheet of the Group as at 30 June 2017;
- the balance sheet of the Company as at 30 June 2017;
- the consolidated statement of changes in equity of the Group for the year then ended;
- the consolidated statement of cash flows of the Group for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HUPSTEEL LIMITED AND ITS SUBSIDIARIES

Our Audit Approach (Continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 30 June 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Inventory – Valuation The Group's inventories amount to $28.0 million as at 30 June 2017 and account for 16% of the Group's total assets. Inventories are measured in accordance with FRS 2 Inventories at the lower of cost or net realisable value, being selling price less estimated selling costs. Due to the nature of the industry, the selling price is highly dependent on the market price of steel, which is subject to volatility. We focus on this area because valuation of inventory involves significant level of management judgement in estimating the provision amount to write down the carrying amount of inventories to the lower of cost or net realisable value.	We obtained an understanding of the Group's provisioning methodology through discussion with management, and considered management's basis for determining the net realisable value. Our audit procedures included the following: a) Tested management's classification of slow-moving and obsolete inventory items by validating the year-on-year movement of inventory by age group against sales quantities during the year to assess whether these items are appropriately classified; b) Re-computed management's provision for inventory items based on comparison of cost and recent sales, if any; and c) Tested the estimated net realisable value for inventory items without recent sales by tracing to the latest sales transaction of a similar product item referenced, and assessing the appropriateness of the product item referenced by comparing the product category and type of both items. We have also assessed the appropriateness of the disclosures in the financial statements relating to nature of the estimation uncertainty which required management judgement.

INDEPENDENT AUDITOR'S REPORT

Our Audit Approach (Continued)

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Trade receivables – Valuation The Group has trade receivables of $16.4 million as at 30 June 2017 and account for 10% of the Group's total assets. We focus on this area because valuation of trade receivables involves significant level of management judgement in identifying customers with outstanding balances which have objective evidence of impairment based on credit ageing profile and historical customer repayment trend.	Our audit procedures included the following: a) Obtained external customer confirmations, on sample basis, to agree trade receivables recorded. Where a response to our confirmation request was not received, we performed alternative procedures by agreeing the amount recorded to underlying sales invoices, delivery documents and customer purchase orders, and also tested customer repayments subsequent to the year-end. Where there are no customer repayments subsequent to the year-end, we discussed with management and assessed the appropriateness of their explanation for lack of subsequent receipts; b) Tested the ageing profile on trade receivables, focusing on older debtor balances and debtors with no current year sales for which no provision had been made; c) Evaluated management's judgement on the recoverability of aged debtor balances based on our independent understanding of the industry and market conditions in which these customers are based; and d) Independently corroborated management's explanation with supporting documentation on historical customer repayment trend, customer repayments subsequent to the year-end, current year sales pattern and correspondences with customers. We have also assessed the appropriateness of the disclosures in the financial statements relating to critical management judgement and credit risk.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HUPSTEEL LIMITED AND ITS SUBSIDIARIES

Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the other sections of the annual report ("the Other Sections"), which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Other Sections, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

Responsibilities of Management and Directors 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 Act and FRSs, 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.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HUPSTEEL LIMITED AND ITS SUBSIDIARIES

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.

The engagement partner on the audit resulting in this independent auditor's report is Lee Kok Hooi.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 29 September 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Note	Group 2017 $'000	2016 $'000
Revenue	4	**49,070**	55,750
Other income	5	**1,956**	2,028
Other losses	6	**(466)**	(1,264)
Expenses			
– Purchases of inventories		**(34,644)**	(38,215)
– Changes in inventories		**(1,602)**	(15,398)
– Employee compensation	7	**(6,624)**	(7,809)
– Depreciation	20,21	**(2,011)**	(1,979)
– Finance	8	**(1)**	(4)
– Other	9	**(4,929)**	(11,406)
Total expenses		**(49,811)**	(74,811)
Profit/(loss) before income tax		**749**	(18,297)
Income tax expense	10	**(29)**	(797)
Total profit/(loss)		**720**	(19,094)
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation	28(b)	**(124)**	(276)
Available-for-sale financial assets			
– Fair value gains/(losses)	28(b)	**473**	(33)
– Reclassification	28(b)	**22**	(80)
Other comprehensive income/(loss), net of tax		**371**	(389)
Total comprehensive income/(loss)		**1,091**	(19,483)
Profit/(loss) attributable to equity holders of the Company		**720**	(19,094)
Total comprehensive profit/(loss) attributable to equity holders of the Company		**1,091**	(19,483)
Earnings/(losses) per share for loss attributable to equity holders of the Company (cents per share)			
– Basic	11	**0.59**	(15.48)
– Diluted	11	**0.59**	(15.48)

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

BALANCE SHEETS

AS AT 30 JUNE 2017

	Note	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
ASSETS					
Current assets					
Cash and cash equivalents	12	**52,555**	53,614	**13,337**	15,821
Trade and other receivables	13	**16,447**	13,936	**11,349**	10,342
Inventories	14	**28,026**	29,628	**13,354**	14,559
Other current assets	15	**193**	404	**87**	202
Tax recoverable	10	**54**	52	**–**	–
Derivative financial instruments	16	**108**	99	**108**	99
		97,383	97,733	**38,235**	41,023
Non-current asset classified as held-for-sale	34	**650**	–	**650**	–
		98,033	97,733	**38,885**	41,023
Non-current assets					
Available-for-sale financial assets	17	**20,827**	20,312	**20,827**	20,312
Investment in club membership		**–**	36	**–**	–
Investment in subsidiaries	18	**–**	–	**9,457**	9,457
Loan to a subsidiary	19	**–**	–	**29,369**	29,041
Investment properties	20	**33,690**	34,887	**26,868**	27,975
Property, plant and equipment	21	**20,207**	21,529	**114**	140
Deferred income tax assets	22	**–**	15	**–**	–
		74,724	76,779	**86,635**	86,925
Total assets		**172,757**	174,512	**125,520**	127,948
LIABILITIES					
Current liabilities					
Trade and other payables	23	**6,476**	7,183	**5,045**	4,865
Borrowings	24	**140**	584	**140**	584
Provision for directors' retirement gratuity	25	**56**	50	**56**	50
		6,672	7,817	**5,241**	5,499
Non-current liabilities					
Deferred income tax liabilities	22	**239**	197	**–**	–
Provision for directors' retirement gratuity	25	**598**	573	**598**	573
		837	770	**598**	573
Total liabilities		**7,509**	8,587	**5,839**	6,072
NET ASSETS		**165,248**	165,925	**119,681**	121,876
EQUITY					
Share capital	27	**107,485**	107,485	**107,485**	107,485
Treasury shares	27	**(3,038)**	(2,498)	**(3,038)**	(2,498)
Other reserves	28	**(1,664)**	(2,035)	**1,944**	1,449
Retained profits		**62,465**	62,973	**13,290**	15,440
Total equity		**165,248**	165,925	**119,681**	121,876

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	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
2017								
Beginning of financial year		**107,485**	**(2,498)**	**(477)**	**(1,577)**	**19**	**62,973**	**165,925**
Purchase of treasury shares	27	–	(540)	–	–	–	–	(540)
Dividends paid	26	–	–	–	–	–	(1,228)	(1,228)
Profit after tax		–	–	–	–	–	720	720
Other comprehensive (loss)/income for the year		–	–	–	(124)	495	–	371
Total comprehensive (loss)/income for the year		**–**	**–**	**–**	**(124)**	**495**	**720**	**1,091**
End of financial year		**107,485**	**(3,038)**	**(477)**	**(1,701)**	**514**	**62,465**	**165,248**
2016								
Beginning of financial year		**107,485**	**(2,498)**	**(477)**	**(1,301)**	**132**	**82,684**	**186,025**
Dividends paid	26	–	–	–	–	–	(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**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Note	2017 $'000	2016 $'000
Cash flows from operating activities			
Total profit/(loss)		**720**	(19,094)
Adjustments for:			
– Income tax expense		**29**	797
– Depreciation		**2,011**	1,979
– Gain on disposal property, plant and equipment		**(1)**	(1)
– Reclassification from other comprehensive income on disposal of available-for-sale financial assets		**22**	(80)
– Impairment losses on available-for-sale financial assets		**194**	468
– Impairment of club membership		**36**	–
– Interest income		**(1,012)**	(1,060)
– Interest expense		**1**	–
– Unrealised currency translation loss		**7**	191
– Dividend income		**(264)**	(210)
		1,743	(17,010)
Change in working capital			
– Inventories		**1,602**	15,398
– Trade and other receivables		**(2,563)**	11,410
– Derivative financial instruments		**(9)**	(99)
– Other current assets		**211**	(216)
– Trade and other payables		**(707)**	704
– Provision for directors' retirement gratuity		**31**	138
Cash provided by operations		**308**	10,325
Income tax refunded		**27**	10
Interest received		**1,064**	1,060
Net cash provided by operating activities		**1,399**	11,395
Cash flows from investing activities			
Property, plant and equipment			
– Purchases		**(199)**	(100)
– Proceeds from disposal		**7**	8
Additions to investment properties		**–**	(1,232)
Available-for-sale financial assets			
– Purchases		**(5,623)**	(1,839)
– Proceeds from disposal		**5,427**	1,512
Dividends received		**264**	210
Net cash used in investing activities		**(124)**	(1,441)
Cash flows from financing activities			
Purchase of treasury shares		**(540)**	–
Proceeds from trust receipts		**6,208**	5,260
Repayment of trust receipts		**(6,652)**	(5,084)
Dividends paid to shareholders		**(1,228)**	(617)
Interest paid		**(1)**	–
Net cash used in financing activities		**(2,213)**	(441)
Net (decrease)/increase in cash and cash equivalents		**(938)**	9,513
Cash and cash equivalents at beginning of the financial year	12	**53,614**	44,279
Effects of currency translation on cash and cash equivalents		**(121)**	(178)
Cash and cash equivalents at end of the financial year	12	**52,555**	53,614

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

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 2016

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.

(b) Rendering of services – Racking services

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Revenue recognition (Continued)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Group accounting (Continued)

Subsidiaries (Continued)

(ii) Acquisitions (Continued)

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.

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 2.5 on borrowing costs).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Property, plant and equipment (Continued)

(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".

2.5 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.

2.6 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Investment properties (Continued)

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.

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.

2.7 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.

2.8 Impairment of non-financial assets

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Impairment of non-financial assets (Continued)

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

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.

2.9 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial assets (Continued)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial assets (Continued)

(e) Impairment (Continued)

(i) Loans and receivables (Continued)

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 2.9(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.

2.10 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.

2.11 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.

2.12 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 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.

2.14 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.

2.15 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 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.

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.

2.17 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 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.

(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 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 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.

2.20 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.

2.21 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.

2.22 Dividends to Company's shareholders

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

2.23 Non-current assets held-for-sale

Non-current assets are classified as assets held-for-sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

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 2.15.

NOTES TO THE FINANCIAL STATEMENTS

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

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

(a) Estimated allowance of inventory write-down (Continued)

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.

(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 $5,447,000 and $274,000 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	
	2017	**2016**
	$'000	**$'000**
Sale of goods	**48,455**	55,035
Services rendered	**615**	715
	49,070	55,750

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

5. OTHER INCOME

	Group	
	2017	**2016**
	$'000	**$'000**
Rental income (Note 20)	**574**	620
Dividend income	**264**	210
Sale of scrap metal	**6**	30
Interest income from:		
– fixed deposits	**305**	280
– available-for-sale financial assets	**699**	772
– other	**8**	8
	1,012	1,060
Sundry income	**100**	108
	1,956	2,028

6. OTHER GAINS AND LOSSES

	Group	
	2017	**2016**
	$'000	**$'000**
Currency translation losses – net	**(359)**	(976)
Gain on disposal of property, plant and equipment	**1**	1
Fair value gain on derivative financial instruments not qualifying as hedges	**108**	99
Available-for-sale financial assets		
– Impairment losses (Note 17)	**(194)**	(468)
– Reclassification from other comprehensive income on disposal (Note 28(b)(iv))	**(22)**	80
	(216)	(388)
	(466)	(1,264)

7. EMPLOYEE COMPENSATION

	Group	
	2017	**2016**
	$'000	**$'000**
Wages and salaries	**5,580**	6,545
Directors' fees	**296**	296
Employer's contribution to defined contribution plans including Central Provident Fund	**717**	830
Retirement gratuity (Note 25)	**31**	138
	6,624	7,809

NOTES TO THE FINANCIAL STATEMENTS

8. FINANCE EXPENSE

	Group	
	2017	**2016**
	$'000	**$'000**
Interest expense on:		
– trust receipts	**1**	–
Currency translation losses – net	**–**	4
	1	4

9. OTHER EXPENSES

	Group	
	2017	**2016**
	$'000	**$'000**
Rental expense on operating leases	**913**	912
Outward freight and handling charges	**1,509**	1,771
Impairment loss on trade receivables – net (Note 30(b)(ii))	**170**	5,050
Legal and professional charges*	**257**	375
Property taxes	**736**	739
Repairs and maintenance	**331**	846
Upkeep of motor vehicles	**201**	222
Utilities	**84**	76
Bank charges	**129**	190
Travel and entertainment	**166**	198
Insurance expense	**126**	123
Telecommunication expense	**79**	82
Other	**228**	822
	4,929	11,406

* 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 2017, of $126,000 (2016: $132,000). There are no non-audit services fees paid to auditors of the Company for the financial year ended 30 June 2017 and 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

10. INCOME TAXES

(a) Income tax expense

	Group	
	2017	**2016**
	$'000	**$'000**
Tax expense attributable to profit is made up of:		
Current income tax		
– Foreign	**11**	8
	11	8
Deferred income tax (Note 22)	**57**	825
	68	833
Over provision in preceding financial years		
– current income tax	**(39)**	(36)
Total	**29**	797

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

	Group	
	2017	**2016**
	$'000	**$'000**
Profit/(loss) before tax	**749**	(18,297)
Tax calculated at tax rate of 17% (2016: 17%)	**127**	(3,110)
Effects of:		
– Effect of different tax rate in other country	**(13)**	(36)
– Expenses not deductible for tax purposes	**459**	660
– Income not subject to tax	**(62)**	(79)
– Tax incentives	**(41)**	(14)
– Unrecognised deferred tax assets	**20**	3,428
– Utilisation of previously unrecognised		
– Tax losses	**(406)**	–
– Capital allowances	**(12)**	–
– Over provision of tax in prior financial year	**(39)**	(36)
– Others	**(4)**	(16)
Tax charge	**29**	797

NOTES TO THE FINANCIAL STATEMENTS

10. INCOME TAXES (Continued)

(b) Movement in current income tax recoverable

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**(52)**	(28)	**–**	(30)
Income tax refunded	**27**	10	**17**	22
Tax (credit)/expense	**11**	8	**(17)**	8
Over provision in preceding financial year	**(39)**	(36)	**–**	–
Currency translation differences	**(1)**	(6)	**–**	–
End of financial year	**(54)**	(52)	**–**	–

11. EARNINGS OR LOSSES PER SHARE

(a) Basic earnings per share

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

	Total	
	2017	2016
Profit/(loss) attributable to equity holders of the Company ($'000)	**720**	(19,094)
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**122,921**	123,355
Basic earnings/(losses) per ordinary share (cents)	**0.59**	(15.48)

The weighted average number of ordinary shares outstanding during the financial year ended 30 June 2016 have been adjusted for the share consolidation of 5 shares to 1 share completed on 8 January 2016 (Note 27).

(b) Diluted earnings per share

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

12. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Cash and bank balances	**37,923**	37,800	**12,337**	14,821
Short-term bank deposits	**14,632**	15,814	**1,000**	1,000
	52,555	53,614	**13,337**	15,821

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

13. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Current				
Trade receivables				
– Non-related parties	**21,438**	18,612	**5,625**	4,404
– Subsidiaries	**–**	–	**5,256**	5,209
Less: Allowance for impairment of receivables – non-related parties (Note 30(b)(ii))	**(5,447)**	(5,427)	**(274)**	(165)
Trade receivables – net	**15,991**	13,185	**10,607**	9,448
Goods and services tax receivables	**175**	301	**108**	170
Other receivables	**51**	168	**22**	34
Interest receivable	**230**	282	**190**	216
Non-trade receivables from subsidiaries	**–**	–	**422**	474
	16,447	13,936	**11,349**	10,342

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

14. INVENTORIES

	Group		Company	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Finished goods	**28,026**	29,628	**13,354**	14,559

The cost of inventories recognised as an expense amounts to $36,246,000 (2016: $53,613,000).

During the financial year, the Group recognised an inventory write-down of $30,000 (2016: $10,565,000) 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	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Deposits	**43**	30	**9**	9
Prepayments	**150**	374	**78**	193
	193	404	**87**	202

NOTES TO THE FINANCIAL STATEMENTS

16. DERIVATIVE FINANCIAL INSTRUMENTS

	Group			Company		
	Contract notional amount	Fair value		Contract notional amount	Fair value	
		Asset	Liability		Asset	Liability
	$'000	$'000	$'000	$'000	$'000	$'000
2017						
Non-hedging instruments						
– Currency forwards	**5,700**	**108**	**–**	**5,700**	**108**	**–**
2016						
Non-hedging instruments						
– Currency forwards	5,751	99	–	5,751	99	–

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	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Beginning of financial year	**20,312**	20,677	**20,312**	20,677
Additions	**5,623**	1,839	**5,623**	1,839
Disposals	**(5,427)**	(1,512)	**(5,427)**	(1,512)
Impairment losses (Note 6)	**(194)**	(468)	**(194)**	(468)
Currency translation gains/(losses)	**40**	(191)	**40**	(191)
Fair value gains/(losses) recognised in other comprehensive income (Note 28(b)(iv))	**473**	(33)	**473**	(33)
End of financial year	**20,827**	20,312	**20,827**	20,312

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

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Listed securities				
– Equity securities – Singapore	**5,765**	2,756	**5,765**	2,756
– Equity securities – US	**885**	952	**885**	952
– Equity securities – Others	**963**	707	**963**	707
– Debt securities – SGD	**6,766**	9,354	**6,766**	9,354
– Debt securities – USD	**6,448**	6,543	**6,448**	6,543
	20,827	20,312	**20,827**	20,312

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

During the financial year, the Group recognised an impairment loss of $194,000 (2016: $468,000) against equity securities whose trade prices either had been significantly below cost, or had been below cost for a prolonged period.

18. INVESTMENT IN SUBSIDIARIES

	Company	
	2017	**2016**
	$'000	**$'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**	
			2017	**2016**	**2017**	**2016**
			%	**%**	**$'000**	**$'000**
Held by the Company						
Eastern Win Enterprises Pte. Ltd. (Formerly known as 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

19. LOAN TO A SUBSIDIARY

	Company	
	2017	**2016**
	$'000	**$'000**
Non-current		
Loan due after 12 months	**29,369**	29,041

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	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Cost or revalued amount				
Beginning of financial year	**41,751**	40,519	**30,043**	28,811
Additions	**–**	1,232	**–**	1,232
Reclassified to non-current asset held-for-sale	**(650)**	–	**(650)**	–
End of financial year	**41,101**	41,751	**29,393**	30,043
Representing:				
Cost	**22,423**	22,423	**22,215**	22,215
Revalued amount*	**18,678**	19,328	**7,178**	7,828
	41,101	41,751	**29,393**	30,043
Accumulated depreciation				
Beginning of financial year	**6,864**	6,389	**2,068**	1,684
Depreciation charge	**547**	475	**457**	384
End of financial year	**7,411**	6,864	**2,525**	2,068
Net book value	**33,690**	34,887	**26,868**	27,975

* 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 2017

20. INVESTMENT PROPERTIES (Continued)

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

	Group	
	2017	**2016**
	$'000	**$'000**
Rental income (Note 5)	**574**	620
Direct operating expenses arising from:		
– Investment properties that generate rental income	**(212)**	(739)
– Investment properties that do not generate rental income	**(664)**	(491)

Investment properties are leased to non-related parties under operating leases (Note 29(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 $30,202,000 (2016: $31,397,000) and $23,422,000 (2016: $24,528,000) respectively.

As at 30 June 2017, the fair value of investment properties is $75,240,000 (2016: $79,600,000) as determined by independent professional valuers based on the properties' highest-and-best-use using the Market Comparison Method.

The movement in the fair value of investment properties arising from the reclassification of investment property to non-current asset held-for-sales is as follows:

	Group
	2017
	$'000
Total fair value of investment properties before reclassification	**80,470**
Fair value property reclassified as non-current asset held-for-sale (Note 34)	**(5,230)**
Total fair value of investment properties after reclassification	**75,240**

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

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					
2017					
Cost					
Beginning of financial year	31,243	1,771	2,340	3,232	38,586
Currency translation differences	(61)	(6)	(9)	(2)	(78)
Additions	–	182	15	2	199
Disposals	–	(162)	(1)	–	(163)
End of financial year	31,182	1,785	2,345	3,232	38,544
Accumulated depreciation and impairment losses					
Beginning of financial year	11,039	1,388	2,091	2,539	17,057
Currency translation differences	(11)	(5)	(9)	(2)	(27)
Depreciation charge	1,095	127	75	167	1,464
Disposals	–	(157)	–	–	(157)
End of financial year	12,123	1,353	2,157	2,704	18,337
Net book value					
End of financial year	**19,059**	**432**	**188**	**528**	**20,207**
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**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

21. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Motor vehicles $'000	Furniture, fittings and equipment $'000	Total $'000
Company			
2017			
Cost			
Beginning of financial year	129	1,298	1,427
Additions	–	12	12
Disposals	(129)	(1)	(130)
End of financial year	–	1,309	1,309
Accumulated depreciation			
Beginning of financial year	126	1,161	1,287
Depreciation charge	3	34	37
Disposals	(129)	–	(129)
End of financial year	–	1,195	1,195
Net book value			
End of financial year	**–**	**114**	**114**
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**

NOTES TO THE FINANCIAL STATEMENTS

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	365/365A Jalan Besar Singapore	335	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
Classified as non-current asset held-for-sale					
2- storey shophouse	359 Jalan Besar Singapore	225	142	Freehold	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

22. 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	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
Deferred income tax assets				
– to be recovered within one year	**–**	(15)	**–**	–
– to be recovered after one year	**–**	–	**–**	–
	–	(15)	**–**	–
Deferred income tax liabilities				
– to be recovered within one year	**12**	20	**–**	–
– to be recovered after one year	**227**	177	**–**	–
	239	197	**–**	–

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

	Group		Company	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
Beginning of financial year	**182**	(649)	**–**	(356)
Tax charged to profit or loss (Note 10(a))	**57**	825	**–**	356
Currency translation differences	**–**	6	**–**	–
End of the financial year	**239**	182	**–**	–

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	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
– Unutilised capital allowances	**84**	155	**–**	81
– Unutilised tax losses	**15,449**	17,720	**5,472**	5,622
– Unutilised donations	**109**	36	**109**	36
– Provisions	**918**	1,163	**757**	685
– Other deductible temporary differences	**357**	473	**–**	–
	16,917	19,547	**6,338**	6,424

NOTES TO THE FINANCIAL STATEMENTS

22. 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
2017		
Beginning of financial year	259	259
Tax credited to profit or loss	(20)	(20)
End of financial year	239	239
2016		
Beginning of financial year	264	264
Tax credited to profit or loss	(5)	(5)
End of financial year	259	259

Deferred income tax assets

	Provisions $'000	Unutilised capital allowances $'000	Unutilised tax losses $'000	Unutilised donations $'000	Total $'000
2017					
Beginning of financial year	(20)	–	(57)	–	(77)
Tax charged to profit or loss	20	–	57	–	77
End of financial year	–	–	–	–	–
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)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

22. DEFERRED INCOME TAXES (Continued)

Company

Deferred income tax liabilities

	Accelerated tax depreciation $'000	Total $'000
2017		
Beginning of the financial year	19	19
Tax credited to profit or loss	(2)	(2)
End of the financial year	17	17
2016		
Beginning of the financial year	25	25
Tax credited to profit or loss	(6)	(6)
End of the financial year	19	19

Deferred income tax assets

	Provisions $'000	Unutilised capital allowances $'000	Unutilised tax losses $'000	Unutilised donations $'000	Total $'000
2017					
Beginning of the financial year	(19)	–	–	–	(19)
Tax charged to profit or loss	2	–	–	–	2
End of the financial year	(17)	–	–	–	(17)
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)

NOTES TO THE FINANCIAL STATEMENTS

23. TRADE AND OTHER PAYABLES

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Trade payables				
– Third parties	**4,020**	3,569	**2,062**	1,525
– Subsidiaries	**–**	–	**–**	–
Goods and services tax payable	**59**	74	**–**	–
Non-refundable deposit (Note 34)	**523**	–	**523**	–
Advances received from customers	**38**	39	**37**	38
Non-trade payables to subsidiaries	**–**	–	**1,177**	1,154
Other payables	**276**	837	**140**	132
Accrued operating expenses	**1,560**	2,664	**1,106**	2,016
	6,476	7,183	**5,045**	4,865

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

24. BORROWINGS

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Trust receipts (unsecured)	**140**	584	**140**	584

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 2017 and 30 June 2016.

25. PROVISION FOR DIRECTORS' RETIREMENT GRATUITY

	Group and Company	
	2017 $'000	2016 $'000
– Current	**56**	50
– Non-current	**598**	573
	654	623

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

	Group and Company	
	2017 $'000	2016 $'000
Beginning of the financial year	**623**	485
Provision made (Note 7)	**31**	138
Payment made to a director	**–**	–
End of the financial year	**654**	623

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

26. DIVIDENDS

	Group and Company	
	2017	2016
	$'000	$'000
Final dividend paid in respect of the previous financial year of cent 1.0 (2016: 0.5 cent*) per share	**1,228**	617

* Adjusted for share consolidation of 5 shares to 1 share completed on 8 January 2016 (Note 27).

At the Annual General Meeting on 26 October 2017, a final dividend of 1.0 cent per share and special dividend of 1.0 cent per share amounting to a total of $2,450,000 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 2018.

27. 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				
2017				
Beginning of financial year	125,474	(2,119)	107,485	(2,498)
Treasury shares purchased	–	(869)	–	(540)
End of financial year	125,474	(2,988)	107,485	(3,038)
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)

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 ended 30 June 2016, the Company completed a share consolidation of 5 shares to 1 share.

Treasury shares

The Company acquired 869,000 of its shares in the open market during the financial year ended 30 June 2017. The total amount paid to acquire the shares was $540,000 and this was presented as a component within shareholder's equity.

Subsequent to financial year ended 30 June 2017 and up to the date of this report, the Company purchased 441,000 of its ordinary shares by way of market acquisition for total consideration of $351,000. The financial statements do not reflect these transactions which will be accounted for in shareholder's equity in the financial year ending 30 June 2018.

NOTES TO THE FINANCIAL STATEMENTS

28. OTHER RESERVES

		Group		Company	
		2017	**2016**	**2017**	**2016**
		$'000	**$'000**	**$'000**	**$'000**
(a)	Composition:				
	Other reserves:				
	– Asset revaluation reserve (Note 28(b)(i))	**1,525**	1,525	**1,430**	1,430
	– Goodwill arising from consolidation (Note 28(b)(ii))	**(2,002)**	(2,002)	**–**	–
		(477)	(477)	**1,430**	1,430
	Currency translation reserve (Note 28(b)(iii))	**(1,701)**	(1,577)	**–**	–
	Fair value reserve (Note 28(b)(iv))	**514**	19	**514**	19
		(1,664)	(2,035)	**1,944**	1,449
(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	**(1,577)**	(1,301)	**–**	–
	Net currency translation differences of financial statements of foreign subsidiary	**(124)**	(276)	**–**	–
	End of financial year	**(1,701)**	(1,577)	**–**	–
(iv)	**Fair value reserve**				
	Beginning of financial year	**19**	132	**19**	132
	Available-for-sale financial assets				
	– Fair value gain/(losses) (Note 17)	**473**	(33)	**473**	(33)
	– Reclassification to profit or loss (Note 6)	**22**	(80)	**22**	(80)
	End of financial year	**514**	19	**514**	19

Other reserves are non-distributable.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

29. COMMITMENTS

(a) Capital commitments

There are no capital expenditures contracted for at the balance sheet date.

(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	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
Not later than one year	**974**	984	**1,279**	1,279
Between one year and five years	**3,718**	3,850	**61**	1,340
Later than five years	**9,879**	11,102	**–**	–
	14,571	15,936	**1,340**	2,619

(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	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
Not later than one year	**201**	454	**170**	147
Between one year and five years	**92**	2	**92**	–
	293	456	**262**	147

30. 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.

NOTES TO THE FINANCIAL STATEMENTS

30. FINANCIAL RISK MANAGEMENT (Continued)

(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
2017						
Financial Assets						
Cash and cash equivalents	44,216	4,357	3,850	–	132	52,555
Trade and other receivables	14,434	835	1,178	–	–	16,447
Intra-group receivables	36,929	–	–	–	–	36,929
Other current assets	40	–	3	–	–	43
Available-for-sale financial assets	6,766	6,448	–	–	–	13,214
	102,385	11,640	5,031	–	132	119,188
Financial Liabilities						
Trade and other payables	2,393	2,743	297	159	323	5,915
Intra-group payables	36,929	–	–	–	–	36,929
Borrowings	–	–	–	140	–	140
	39,322	2,743	297	299	323	42,984
Net financial assets/ (liabilities)	63,063	8,897	4,734	(299)	(191)	76,204
Less: Net financial assets denominated in the respective entity's functional currency	(68,227)	–	(4,734)	–	–	(72,961)
Add: Currency forwards	–	(5,592)	–	–	–	(5,592)
Currency exposure	(5,164)	3,305	–	(299)	(191)	2,349

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

30. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(i) Currency risk (Continued)

	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

30. 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
2017					
Financial Assets					
Cash and cash equivalents	10,999	2,209	–	129	13,337
Trade and other receivables	10,947	402	–	–	11,349
Other current assets	9	–	–	–	9
Available-for-sale financial assets	6,766	6,448	–	–	13,214
	28,721	9,059	–	129	37,909
Financial Liabilities					
Trade and other payables	2,638	1,689	158	–	4,485
Borrowings	–	–	140	–	140
	2,638	1,689	298	–	4,625
Net financial assets/(liabilities)	26,083	7,370	(298)	129	33,284
Less: Net financial assets denominated in the Company's functional currency	(26,083)	–	–	–	(26,083)
Add: Currency forwards	–	(5,592)	–	–	(5,592)
Currency exposure	–	1,778	(298)	129	1,609
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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

30. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

(i) Currency risk (Continued)

If the USD and Euro change against the SGD by 3% and 2% respectively (2016: USD and Euro 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)	
	2017	**2016**
	Profit after tax	**Loss after tax**
	S$'000	**S$'000**
Group		
USD against SGD		
– strengthened	**83**	(85)
– weakened	**(83)**	85
EURO against SGD		
– strengthened	**(5)**	17
– weakened	**5**	(17)
Company		
USD against SGD		
– strengthened	**44**	(26)
– weakened	**(44)**	26
EURO against SGD		
– strengthened	**(5)**	19
– weakened	**5**	(19)

(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

30. 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 (2016: 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)	
	2017 Other comprehensive income $'000	**2016 Other comprehensive income $'000**
Group and Company		
Equity securities		
Increased by	**761**	442
Deceased by	**(761)**	(442)
Debt securities		
Increased by	**661**	795
Deceased by	**(661)**	(795)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

30. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

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 4 debtors (2016: 3 debtors) and 7 debtors (2016: 5 debtors) respectively that individually represented 4% – 20% (2016: 3% – 18%) 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	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Past due < 3 months	**5,736**	6,690	**1,923**	1,605
Past due 3 to 6 months	**1,505**	642	**836**	193
Past due over 6 months	**900**	1,017	**41**	143
	8,141	8,349	**2,800**	1,941

NOTES TO THE FINANCIAL STATEMENTS

30. FINANCIAL RISK MANAGEMENT (Continued)

(b) 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	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
Gross amount	**5,447**	5,433	**274**	165
Less: Allowance for impairment	**(5,447)**	(5,427)	**(274)**	(165)
	–	6	**–**	–
Beginning of financial year	**5,427**	2,002	**165**	–
Currency translation difference	**(13)**	(19)	**–**	–
Allowance made (Note 9)	**705**	5,050	**128**	165
Write-back of allowance (Note 9)	**(535)**	–	**(19)**	–
Allowance utilised	**(137)**	(1,606)	**–**	–
End of financial year (Note 13)	**5,447**	5,427	**274**	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.

	Less than 1 year $'000
Group	
At 30 June 2017	
Trade and other payables	5,915
Borrowings	140
At 30 June 2016	
Trade and other payables	7,144
Borrowings	584

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

30. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

	Less than 1 year $'000
Company	
At 30 June 2017	
Trade and other payables	4,485
Borrowings	140
At 30 June 2016	
Trade and other payables	4,827
Borrowings	584

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 2017	
Gross-settled currency forwards	
– Receipts	5,700
– Payments	(5,592)
At 30 June 2016	
Gross-settled currency forwards	
– Receipts	5,751
– Payments	(5,652)
Company	
At 30 June 2017	
Gross-settled currency forwards	
– Receipts	5,700
– Payments	(5,592)
At 30 June 2016	
Gross-settled currency forwards	
– Receipts	5,751
– Payments	(5,652)

NOTES TO THE FINANCIAL STATEMENTS

30. 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 2017 and 2016.

The Group is not subject to any externally imposed capital requirement for the financial year ended 30 June 2017 and 2016.

(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)

	Level 1 $'000	Level 2 $'000	Total $'000
Group			
2017			
Assets			
Derivative financial instruments	–	108	108
Available-for-sale financial assets	20,827	–	20,827
2016			
Assets			
Derivative financial instruments	–	99	99
Available-for-sale financial assets	20,312	–	20,312
Company			
2017			
Assets			
Derivative financial instruments	–	108	108
Available-for-sale financial assets	20,827	–	20,827
2016			
Assets			
Derivative financial instruments	–	99	99
Available-for-sale financial assets	20,312	–	20,312

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

30. FINANCIAL RISK MANAGEMENT (Continued)

(e) Fair value measurements (Continued)

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	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Loans and receivables	**69,045**	67,580	**24,695**	26,172
Financial liabilities at amortised cost	**6,055**	7,728	**4,625**	5,411

NOTES TO THE FINANCIAL STATEMENTS

31. 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 (Continued)

	Group		Company	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
With subsidiaries:				
Sale of finished goods	**–**	–	**2,952**	3,932
Purchases of finished goods	**–**	–	**(118)**	(47)
Management fee income	**–**	–	**121**	121
Other income	**–**	–	**–**	1
Logistics expenses	**–**	–	**(396)**	(406)
Rental expenses	**–**	–	**(1,219)**	(1,230)
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	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
Salaries and other short-term employee benefits	**2,474**	2,600	**2,043**	2,137
Employer's contribution to defined contribution plans, including Central Provident Fund	**152**	145	**114**	107
Retirement gratuity	**31**	138	**31**	138
	2,657	2,883	**2,188**	2,382

Included in above, total compensation to directors of the Group and Company amounted to $1,780,000 and $1,418,000 respectively (2016: $1,774,000 and $1,522,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

32. 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

32. SEGMENT INFORMATION (Continued)

	Singapore			Malaysia	
	Steel product trading $'000	General hardware $'000	Property investment $'000	Steel product trading $'000	Total $'000
2017					
Total revenue and rental income	40,623	6,712	3,418	3,508	54,261
Inter-segment sales	(1,715)	(1)	(2,844)	(57)	(4,617)
External revenue and rental income	38,908	6,711	574	3,451	49,644
Segment results	(580)	819	14	(516)	(263)
Interest income					1,012
Income tax expense					(29)
Profit after tax					720
Segment results include the following items:					
Provision for inventory write-down	(9)	(17)	–	(4)	(30)
Allowance for trade receivables	45	–	8	(223)	(170)
Segment assets	118,729	8,986	36,471	8,517	172,703
Tax assets					69
Total assets					172,772
Segment liabilities	6,006	781	46	297	7,130
Borrowings					140
Tax liabilities					254
Total liabilities					7,524
Other segment items					
Capital expenditure	198	–	–	1	199
Depreciation of investment properties and property, plant and equipment	1,353	77	547	34	2,011

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

32. SEGMENT INFORMATION (Continued)

	Singapore			Malaysia	
	Steel products trading $'000	General hardware $'000	Property investment $'000	Steel products 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

32. SEGMENT INFORMATION (Continued)

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

	2017 $'000	2016 $'000
Singapore	**34,520**	40,140
Malaysia	**8,585**	8,725
Indonesia	**1,501**	2,825
Other South East Asian countries	**1,700**	1,334
Other countries	**3,338**	3,346
	49,644	56,370

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

	2017 $'000	2016 $'000
Singapore	**52,787**	55,223
Malaysia	**1,111**	1,229
	53,898	56,452

33. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2017 and which the Group has not early adopted:

- FRS 115 Revenue from contracts with customers (effective for annual periods beginning on or after 1 January 2018)

  This is the converged standard on revenue recognition. It replaces FRS 11 Construction contracts, FRS 18 Revenue, and related interpretations. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of FRS 115 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

  - Step 1: Identify the contract(s) with a customer
  - Step 2: Identify the performance obligations in the contract
  - Step 3: Determine the transaction price
  - Step 4: Allocate the transaction price to the performance obligations in the contract
  - Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

33. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (Continued)

- FRS 115 Revenue from contracts with customers (effective for annual periods beginning on or after 1 January 2018) (Continued)

  FRS 115 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

  Management is currently assessing the effects of applying the new standard on the Group's financial statements. The Group will make more detailed assessment of the impact over the next twelve months.

- FRS 109 Financial instruments (effective for annual periods beginning on or after 1 January 2018)

  The complete version of FRS 109 replaces most of the guidance in FRS 39. FRS 109 retains the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income (OCI) and fair value through Profit or Loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI.

  While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, debt instruments currently classified as available-for-sale (AFS) financial assets would appear to satisfy the conditions for classification as at fair value through OCI and hence there will be no change to the accounting for these assets.

  The other financial assets held by the Group include equity instruments currently classified as AFS for which fair value through OCI election is available.

  Accordingly, the Group does not expect the new guidance to have a significant impact on the classification of its financial assets.

  For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in OCI, for liabilities designed at fair value through profit or loss. There will be no impact on the Group's accounting for financial liabilities as the Group does not have any such liabilities.

  There is now a new expected credit losses model that replaces the incurred loss impairment model used in FRS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through OCI, contract assets under FRS 115 Revenue from contracts with customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

  The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

  Management is currently assessing the effects of applying the new standard on the Group's financial statements. The Group will make more detailed assessment of the impact over the next twelve months

NOTES TO THE FINANCIAL STATEMENTS

33. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (Continued)

- FRS 116 Leases (effective for annual periods beginning on or after 1 January 2019)

  FRS 116 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

  The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of $14,571,000 (Note 29(b)). However, the Group has yet to determine to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

  Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under FRS 116.

  Management is currently assessing the effects of applying the new standard on the Group's financial statements. The Group will make more detailed assessment of the impact over the next twelve months.

34. EVENT OCCURRING AFTER BALANCE SHEET DATE

On 23 August 2017, the Company completed the sale and purchase transaction for the disposal of a non-current asset held-for-sale with a carrying value of $650,000 as at balance sheet date. The sale consideration was finalised at $5,230,000 resulting in a gain on disposal of $4,580,000 to be recognised in the financial year ending 30 June 2018.

As at 30 June 2017, the Company had received a non-refundable deposit of $523,000 (Note 23) which represented 10% of the sale consideration. The remaining balance of the sale consideration was received upon the completion of the sale and purchase transaction.

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 29 September 2017.

STATISTICS OF SHAREHOLDINGS

AS AT 20 SEPTEMBER 2017

Issued and fully paid-up capital	:	107,485,000.00
No. of ordinary shares (excluding Treasury shares)	:	122,162,014
Class of shares	:	Ordinary shares fully paid with equal voting rights
Voting rights	:	One vote per share
No. of Treasury Shares	:	3,312,100
Subsidiary Holdings	:	Nil

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	410	5.79	17,727	0.01
100 – 1,000	2,514	35.54	1,280,082	1.05
1,001 – 10,000	3,478	49.17	12,140,841	9.94
10,001 – 1,000,000	657	9.29	35,830,901	29.33
1,000,001 AND ABOVE	15	0.21	72,892,463	59.67
TOTAL	**7,074**	**100.00**	**122,162,014**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	HENNFA INVESTMENTS PTE LTD	18,603,000	15.23
2	LIM PUAY KOON	7,240,500	5.93
3	LIM BOH CHUAN	7,240,050	5.93
4	LIM KIM THOR	6,880,980	5.63
5	LIM YEE KIM	6,475,950	5.30
6	LIM KIM HOCK	6,409,530	5.25
7	LIM ENG CHONG	4,520,430	3.70
8	DBS NOMINEES (PRIVATE) LIMITED	2,878,628	2.36
9	HSBC (SINGAPORE) NOMINEES PTE LTD	2,762,800	2.26
10	LIM BEO PENG	2,680,710	2.19
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	1.20
14	KIM SENG HOLDINGS PTE LTD	1,329,250	1.09
15	NG CHEAU TENG (HUANG QIUTING)	1,090,900	0.89
16	KOH BOON HWEE	1,000,000	0.82
17	JOE LIM KIM SAN	971,180	0.79
18	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	908,135	0.74
19	MAYBANK KIM ENG SECURITIES PTE LTD	869,970	0.71
20	OCBC SECURITIES PRIVATE LIMITED	862,230	0.71
	TOTAL	**77,503,978**	**63.44**

STATISTICS OF SHAREHOLDINGS

SHAREHOLDERS' INFORMATION AS AT 20 SEPTEMBER 2017

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	15.23	–	–
Dr Lim Puay Koon[1][2]	7,240,500	5.93	18,603,000	15.23
Lim Boh Chuan[1][2]	7,240,050	5.93	18,603,000	15.23
Lim Yee Kim[2]	6,475,950	5.30	18,603,000	15.23
Lim Kim Thor[2][3]	6,880,980	5.63	18,639,000	15.26
Lim Kim Hock[2][3]	6,409,530	5.25	18,603,000	15.23
Lim Eng Chong[2][3]	4,520,430	3.70	18,603,000	15.23
Yee Kim Holdings Pte. Ltd.[2]	–	–	18,603,000	15.23
Pey Choi[2]	–	–	18,603,000	15.23

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 20 September 2017 is approximately 41.74% of the total issued shares, excluding treasury shares. Therefore, the Company complies with Rule 723 of the Listing Manual.

TREASURY SHARES

As at 20 September 2017, the number of treasury shares held is 3,312,100 representing 2.71% of the total number of issued shares excluding treasury shares. The Company does not have any subsidiary holdings.

NOTICE OF ANNUAL GENERAL MEETING

AND NOTICE OF BOOKS CLOSURE DATE

HUPSTEEL LIMITED

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

NOTICE OF ANNUAL GENERAL MEETING AND NOTICE OF BOOKS CLOSURE DATE

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 116 Neythal Road Singapore 628603 on Thursday, 26 October 2017 at 2.30 p.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 2017. **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 2017. **Resolution 2**

3. To declare the payment of a special tax exempt (one-tier) dividend of 1.0 cent per ordinary share for the year ended 30 June 2017. **Resolution 3**

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

5. To re-elect Mr Lim Kim Thor, a Director retiring pursuant to Article 88 of the Company's Constitution. **Resolution 5**

6. To re-appoint Pricewaterhouse Coopers LLP as the Company's Auditor and to authorise the Directors to fix its remuneration. **Resolution 6**

SPECIAL BUSINESS

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

7. **Payment of Directors' Fees for the financial year ending 30 June 2018.**

   That the Directors' Fees of S$248,000 for the financial year ending 30 June 2018 be approved and payable quarterly in arrears. (2017: S$248,000) **Resolution 7**

8. **Share Issue Mandate** **Resolution 8**

   That pursuant to Section 161 Companies Act, Chapter 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 shall does not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) 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 and subsidiary holdings) 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 and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) 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 (b)]

NOTICE OF ANNUAL GENERAL MEETING

AND NOTICE OF BOOKS CLOSURE DATE

9. **The Renewal of the Share Buy-Back Mandate** **Resolution 9**

That:

(1) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 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 share capital of the Company ("**Shares**") 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 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, 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 treasury shares and subsidiary holdings 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

where:

"**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 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 (c)]

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 8 November 2017 for the purpose of determining shareholders' entitlements to the proposed first and final tax exempt (one-tier) dividend of 1.0 cent per ordinary share and the proposed special tax exempt (one-tier) dividend of 1.0 cent per ordinary share for the financial year ended 30 June 2017 (the "**Proposed Dividends**").

Duly completed transfers received by the Company's Registrar, RHT Corporate Advisory Pte. Ltd. at 9 Raffles Place #29-01, Republic Plaza Tower 1, Singapore 048619 up to 5.00 p.m. on 7 November 2017 will be registered before shareholders' entitlements to the Proposed Dividends are determined.

Shareholders (being Depositors) whose securities accounts with The Central Depository (Pte) Limited are credited with shares as at 5.00 p.m. on 7 November 2017 will rank for the Proposed Dividends.

The Proposed Dividends, if approved at the Annual General Meeting of the Company to be held on 26 October 2017, will be paid on 15 November 2017.

By Order of the Board
Tan Ching Chek
Company Secretary
10 October 2017
Singapore

NOTICE OF ANNUAL GENERAL MEETING

AND NOTICE OF BOOKS CLOSURE DATE

Explanatory Notes:

(a) Mr Ong Kian Min, if re-elected, will continue to serve as the Chairman of the Board and Nominating Committee, and a member of the Audit Committee. Mr Ong Kian Min is considered by the Board of Directors as an Independent Director. For more information on Mr Ong Kian Min, please refer to the "Board of Directors" and "Corporate Governance" sections in the Annual Report 2017.

(b) The proposed ordinary resolution 8 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.

(c) The Ordinary Resolution 9 proposed in item 9 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 purchase 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 and subsidiary holdings) 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 2017 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, 9 Raffles Place #29-01, Republic Plaza Tower 1, Singapore 048619 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.

Photographic, sound and/or video recordings of the above meeting may be made by the Company for record keeping and to ensure the accuracy of the minutes prepared of the meeting. Accordingly, the personal data of a member of the Company (such as his name, his presence at the meeting and any questions he may raise or motions he propose/second) may be recorded by the Company for such purpose.

In addition, the Company may upon the request of any shareholder, provide such shareholder with a copy of the minutes of the above meeting which may contain a member's personal data as explained above. By participating in the meeting, raising any questions and/or proposing/seconding any motion, a member will be deemed to have consented to have his personal data recorded and dealt with for the purposes and in the manner explained above.

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 10 October 2017.

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 26 October 2017 at 2.30 p.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 declare Special Dividend		
4.	To re-elect Mr Ong Kian Min, a Director retiring under Article 88 of the Company's Constitution		
5.	To re-elect Mr Lim Kim Thor, a Director retiring under Article 88 of the Company's Constitution		
6.	To re-appoint Pricewaterhouse Coopers LLP as Auditor and authorise the Directors to fix its remuneration		
	SPECIAL BUSINESS		
7.	To approve Directors' Fees		
8.	To approve the Share Issue Mandate		
9.	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 _____ 2017

Total Number of Shares Held	

_____

Signature of Shareholder(s) and/or
Common Seal of Corporate Shareholder

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. Subject to note 9, 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, RHT Corporate Advisory Pte. Ltd. at 9 Raffles Place #29-01, Republic Plaza Tower 1, Singapore 048619 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.

9. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF investor") and/or the Supplementary Retirement Scheme ("SRS Investor") may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

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.



HUPSteel

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