

HUPSteel Limited

4QFY11 & FULL YEAR FINANCIAL STATEMENTS (UNAUDITED)

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

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

The following figures have not been audited.

	GROUP (S\$'000)					
	3 months ended 30.6.11	3 months ended 30.6.10	% + / (-)	12 months ended 30.6.11	12 months ended 30.6.10	% + / (-)
Continuing operations						
Revenue	53,959	56,864	-5%	189,439	176,673	7%
Changes in inventories	7,391	12,478	-41%	(3,880)	2,623	-248%
Purchases of inventories	(53,007)	(59,553)	-11%	(157,014)	(150,517)	4%
Gross profit	8,343	9,789	-15%	28,545	28,779	-1%
Other operating income	372	284	31%	990	1,122	-12%
Staff cost	(1,958)	(2,296)	-15%	(8,244)	(8,222)	0%
Depreciation	(498)	(362)	38%	(1,706)	(1,599)	7%
Other operating expenses	(2,686)	(2,288)	17%	(8,923)	(7,563)	18%
Finance cost - net	332	(134)	NM	823	9	NM
Profit before tax	3,905	4,993	-22%	11,485	12,526	-8%
Income tax expense	(637)	(737)	-14%	(1,896)	(1,995)	-5%
Profit from continuing operations	3,268	4,256	-23%	9,589	10,531	-9%
Discontinued operations						
(Loss)/Profit from discontinued operations	(10)	(113)	-91%	2,991	(212)	NM
Total profit	3,258	4,143	-21%	12,580	10,319	22%
Other comprehensive income/(expenses) :						
Currency translation differences arising from consolidation	(101)	349	NM	(226)	179	NM
Fair value gains on available-for-sale financial assets	(119)	(126)	-6%	23	469	-95%
Total comprehensive income	3,038	4,366	-30%	12,377	10,967	13%
Profit attributable to Equity holders of the Company	3,258	4,143	-21%	12,580	10,319	22%
Total comprehensive income attributable to Equity holders of the Company	3,038	4,366	-30%	12,377	10,967	13%
Earnings per share based on profit attributable to equity shareholders:						
- Basic (cent)	0.52	0.66		2.02	1.65	
- Diluted (cent)	0.52	0.66		2.02	1.65	

Note : NM : not meaningful

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

	GROUP (S\$'000)			
	3 months ended 30.6.11	3 months ended 30.6.10	12 months ended 30.6.11	12 months ended 30.6.10
Dividend income	169	175	399	404
Interest income	127	116	410	445
Profit on sale of available-for-sale financial assets	6	5	6	5
Profit/(Loss) on sale of property, plant and equipment - net	14	(98)	3,458	(87)
Foreign exchange (loss)/gain	(250)	(146)	(1,302)	(491)
Adjustments for over/(under) provision of tax in respect of prior years	-	43	-	43
Finance cost-net is made up of :				
Interest expense	(39)	(48)	(231)	(134)
Foreign exchange (loss)/gain arising from borrowings - trust receipts	371	(86)	1,054	143
Allowance for trade receivables	(505)	(56)	(617)	(194)
Write-back of allowance for trade receivables	41	22	41	22
Trade receivables written off	7	(1)	10	(2)
Write-back of inventory write-down	-	700	-	3,170
Inventories written off	-	-	(5)	-
Impairment loss on available-for-sale financial assets	-	(15)	-	(15)
Impairment reversal on property, plant & equipment	-	336	-	336

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

	GROUP		COMPANY	
	30.06.2011 \$'000	30.06.2010 \$'000	30.06.2011 \$'000	30.06.2010 \$'000
Current Assets				
Cash and cash equivalents	75,834	77,814	44,163	49,822
Trade and other receivables	51,204	53,789	8,201	7,836
Inventories	65,720	69,782	33,119	34,600
Other current assets	199	149	74	67
Due from subsidiaries	-	-	7,870	5,386
	192,957	201,534	93,427	97,711
Non Current Assets				
Available-for-sale financial assets	6,306	8,783	6,306	8,783
Investment in club membership	57	45	-	-
Investment in subsidiaries	-	-	9,457	9,457
Loan to a subsidiary	-	-	36,579	32,059
Property, plant and equipment	28,309	24,761	336	427
Investment properties	14,188	14,313	6,822	6,856
Goodwill	4,630	4,630	-	-
Deferred income tax assets	61	72	-	-
	53,551	52,604	59,500	57,582
Total Assets	246,508	254,138	152,927	155,293
Current Liabilities				
Trade and other payables	19,636	28,226	4,422	2,673
Derivative financial instruments	-	37	-	10
Current income tax liabilities	1,935	1,895	581	652
Borrowings	15,338	18,602	2,470	905
Due to subsidiaries - trade	-	-	1,153	4,236
	36,909	48,760	8,626	8,476
Non Current Liabilities				
Borrowings	-	1,731	-	-
Provision for directors' retirement gratuity	1,123	1,062	1,123	1,062
Deferred income tax liabilities	898	915	515	527
	2,021	3,708	1,638	1,589
Total Liabilities	38,930	52,468	10,264	10,065
Net Assets	207,578	201,670	142,663	145,228
Share capital and reserves				
Share capital	107,485	107,485	107,485	107,485
Treasury shares	(1,013)	(788)	(1,013)	(788)
Capital reserves	(1,216)	(1,216)	707	707
Currency translation reserves	(821)	(595)	-	-
Fair value reserves	965	942	965	942
Retained earnings	102,178	95,842	34,519	36,882
	207,578	201,670	142,663	145,228

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

Amount repayable in one year or less, or on demand

As at 30.6.2011 ('000)		As at 30.6.2010 (\$'000)	
Secured	Unsecured	Secured	Unsecured
-	15,338	997	17,605

Amount repayable after one year

As at 30.6.2011 ('000)		As at 30.6.2010 ('000)	
Secured	Unsecured	Secured	Unsecured
-	-	1,731	-

Details of any collateral

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

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

	Group (S\$'000)			
	4Q FY11	4Q FY10	1.7.10 - 30.6.11	1.7.09 - 30.6.10
Cash flow from operating activities				
Net profit	3,258	4,143	12,580	10,319
Adjustments for:				
- Income tax expense	641	739	1,899	1,997
- Property, plant and equipment and investment properties				
- Depreciation	497	364	1,710	1,607
- Net (gain)/loss on disposal	(14)	98	(3,458)	87
- Impairment reversal	-	(336)	-	(336)
- Available-for-sale financial assets				
- Net gain on disposal	(6)	(5)	(6)	(5)
- Impairment loss in club membership	-	15	-	15
- Interest income	(127)	(116)	(410)	(445)
- Interest expense	39	48	231	134
- Dividend income	(169)	(175)	(399)	(404)
	4,119	4,775	12,147	12,969
Change in working capital				
- Inventories	(7,391)	(12,619)	4,062	(2,645)
- Trade and other receivables	(4,542)	(9,403)	2,585	8,722
- Derivative financial instruments	(37)	37	(37)	(376)
- Trade and other payables	8,364	12,328	(8,529)	7,376
- Other current assets	61	281	(62)	106
Cash generated from/(used in) operations	574	(4,601)	10,166	26,152
Income taxes paid	(211)	(259)	(1,865)	(2,991)
Interest received	127	116	410	445
Net cash generated/(used in) from operating activities	490	(4,744)	8,711	23,606
Cash flows from investing activities				
Property, plant & equipment :				
- Purchases	(73)	(2,540)	(5,251)	(2,956)
- Proceeds from disposal	37	98	3,485	109
Financial assets, available-for-sale				
- Purchases	-	(11)	(1,500)	(171)
- Proceeds from disposal	4,006	-	4,006	20
Dividends received	169	175	399	404
Net cash from/(used in) investing activities	4,139	(2,278)	1,139	(2,594)
Cash flows from financing activities				
Purchase of treasury shares	(127)	-	(225)	(788)
Proceeds from trust receipts	33,704	27,855	99,054	53,690
Repayment of trust receipts	(24,612)	(10,374)	(101,321)	(39,252)
Dividend paid to shareholders	(3,122)	(3,123)	(6,244)	(9,392)
Repayment of term loan	-	(242)	(2,728)	(991)
Interest paid	(39)	(48)	(231)	(134)
Net cash from/(used in) financing activities	5,804	14,068	(11,695)	3,133
Net increase/(decrease) in cash and cash equivalents	10,433	7,046	(1,845)	24,145
Cash and cash equivalents at beginning of the financial period	65,398	70,495	77,814	53,567
Effects of currency translation on cash and cash equivalents	3	273	(135)	102
Cash and cash equivalents at end of the financial period	75,834	77,814	75,834	77,814

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

	Share Capital	Treasury shares	Capital Reserves	Currency Translation Reserves	Fair Value Reserves	Retained Earnings	Total Equity
Group	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2010	107,485	(788)	(1,216)	(595)	942	95,842	201,670
Purchase of treasury shares	-	(225)	-	-	-	-	(225)
Dividend paid	-	-	-	-	-	(6,244)	(6,244)
Total comprehensive income/(expenses)	-	-	-	(226)	23	12,580	12,377
At 30 June 2011	107,485	(1,013)	(1,216)	(821)	965	102,178	207,578
Group							
At 1 July 2009	107,485	-	(1,216)	(774)	473	94,915	200,883
Purchase of treasury shares	-	(788)	-	-	-	-	(788)
Dividend paid	-	-	-	-	-	(9,392)	(9,392)
Total comprehensive income/(expenses)	-	-	-	179	469	10,319	10,967
At 30 June 2010	107,485	(788)	(1,216)	(595)	942	95,842	201,670

	Share Capital	Treasury shares	Capital Reserves	Currency Translation Reserves	Fair Value Reserves	Retained Earnings	Total Equity
Company	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2010	107,485	(788)	707	-	942	36,882	145,228
Purchase of treasury shares	-	(225)	-	-	-	-	(225)
Dividend paid	-	-	-	-	-	(6,244)	(6,244)
Total comprehensive income	-	-	-	-	23	3,881	3,904
At 30 June 2011	107,485	(1,013)	707	-	965	34,519	142,663
Company							
At 1 July 2009	107,485	-	707	-	473	42,246	150,911
Purchase of treasury shares	-	(788)	-	-	-	-	(788)
Dividend paid	-	-	-	-	-	(9,392)	(9,392)
Total comprehensive income/(expenses)	-	-	-	-	469	4,028	4,497
At 30 June 2010	107,485	(788)	707	-	942	36,882	145,228

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

Under the Share buyback mandate approved by shareholders the Company purchased a total of 1,013,000 shares for \$225K by way of on market purchase on the Singapore Exchange Securities Trading Limited during the financial year.

Treasury Shares	No. of shares	\$'000
Balance as at 30 Jun 2010	2,803,000	788
Purchases	1,013,000	225
Balance as at 30 Jun 2011	3,816,000	1,013

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

	30.06.11	30.06.10
Number of shares in issue	623,554,610	624,567,610

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

Not applicable. None of the above occurred since the end of the previous period reported on.

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

The figures have not been audited or reviewed.

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

Not applicable.

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

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

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

Not applicable, there were no such changes.

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

	GROUP			
	3 months ended 30.06.11 (note 1)	3 months ended 30.06.10	12 months ended 30.06.11 (note 1)	12 months ended 30.06.10
Earnings per share based on profit attributable to equity shareholders:				
(a) Basic (cent)	0.52	0.66	2.02	1.65
(b) Diluted (cent)	0.52	0.66	2.02	1.65

Note 1 : The basic and diluted earnings per share is calculated based on the weighted average number of ordinary shares of 624,238,651 (30.06.10: 625,736,898) in issue during the year.

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

	GROUP		COMPANY	
	30.06.11	30.06.10	30.06.11	30.06.10
Net Asset Value per ordinary share (cents)	33.29	32.29	22.88	23.25

The net asset value per ordinary share is calculated based on the number of ordinary shares in issue of 623,554,610 at the end of the financial year (30.06.10: 624,567,610).

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

REVIEW OF OPERATING PERFORMANCE

Revenue & Gross profit

	\$'000				
	4QFY11	3QFY11	4QFY10	12MFY11	12MFY10
Revenue	53,959	45,579	56,864	189,439	176,673
Gross Profit	8,343	7,330	9,789	28,545	28,779
GP %	15.5%	16.1%	17.2%	15.1%	16.3%

Revenue for the 4th quarter ended 30 June 2011 ('4QFY11') declined slightly by 5% to \$54.0M from \$56.9M reported for the 4th quarter ended 30 June 2010 ('4QFY10'). This was due to a softer demand for steel products compared to the corresponding period for last year.

With many ongoing construction and infrastructural projects in Singapore, the Group achieved better revenue for 4QFY11 rising to \$54.0M from \$45.6M reported for 3QFY11.

Gross profit for 4QFY11 rose to \$8.3M from \$7.3M in 3QFY11. However, gross profit margin dropped to 15.5% for 4QFY11 in comparison to 16.1% and 17.2% for 3QFY11 and 4QFY10 respectively. This is largely attributable to the revenue being made up of the lower margin structural steel products and the write back of \$0.7M for provisions for the impairment in inventory value in 4QFY10.

Other operating income

Other operating income for 4QFY11 rose to \$372K from \$284K in 4QFY10 mainly due to higher interest income received and miscellaneous income in the reporting quarter.

Expenses

Staff cost, Depreciation, Other operating expenses & Finance cost

Staff cost in 4QFY11 decreased by 15% to \$2.0M from \$2.3M in 4QFY10 mainly due to lower provision of incentives and lower headcount.

During the period, depreciation increased to \$497k from \$364k as one of the Group's warehouses which was decommissioned for redevelopment into a better equipped storage facility was not amortised last year but has since become fully operational.

Other operating expenses included an allowance for trade receivables of \$505K which resulted in these expenses for 4QFY11 increasing 17% to \$2.7M from \$2.3M in 4QFY10.

Finance cost – net for 4QFY11 was a gain of \$332K (4QFY10: \$134K loss) comprising interest expense of \$39K (4QFY10: \$48K) and exchange gain of \$371K (4QFY10: \$86 loss) due to the weakening of the US dollar throughout the quarter. The Group incurred relatively low interest expense as it continued with efforts to pay down its borrowings. Part of these borrowings were in the form of US dollar denominated trust receipts and the Group benefitted from the weakening of the US dollar against Singapore dollar. The Group registered a gain on foreign exchange from financing activities of \$1.1M in FY11 as compared to \$143K in FY10.

Profit attributable to equity holders of the Company

Total profit after tax for 4QFY11 declined 21% to \$3.3M from \$4.1M for 4QFY10 in tandem with the decrease in gross profit margin.

Total profit after tax for FY11 rose 22% to \$12.6M from \$10.3M in FY10 due to profits recognised from the sale of the property that housed the Group's sandblasting operation which was discontinued during the financial year. This operation contributed less than 5% to the Group's revenue. The total profit after tax for FY10 also included a write back of the provision for inventory write-down of approximately \$3.2M.

REVIEW OF FINANCIAL POSITION AS AT 30 JUNE 2011

Current assets and current liabilities

Trade and other receivables were slightly lower at \$51.2M compared to \$53.8M (4QFY10) as the Group kept up with its debt collection effort throughout the year.

With the Group exercising caution in inventory replenishment and selling from its inventory holding, its inventory balance declined slightly to \$65.7M from \$69.8M (4QFY10).

Trade and other payables decreased to \$19.6M from \$28.2M (4QFY10) while borrowings also reduced to \$15.3M from \$18.6M (4QFY10) as a result of the Group's effort in paying down its liabilities and taking advantage of the strengthening SG dollar against US dollar to pay off its borrowings which were denominated in US dollar.

Non current assets & non current liabilities

Despite a buoyant stock market, available-for-sale financial assets decreased in value to \$6.3M (FY10: \$8.8M) due to the redemption of preference shares by its issuer during the year. Despite the redemption of these matured preference shares, fair value reserve account balance still increased to \$965K (FY10: \$942K).

Non-current liabilities fell from \$3.7M in 4QFY10 to \$2.0M in 4QFY11 as a result of the repayment of its long term loan.

Share capital and reserves

The Group continued to exercise its share buyback mandate during the year to purchase its own shares which were kept as treasury shares.

The higher Fair Value Reserve account balance of \$965K (FY10: \$942K) was due to increases in the market values of the Group's available-for-sale financial assets as at 30 June 2011.

Cash flow

During the quarter, the Group begun to replenish its diminishing stock holding thereby utilising more cash and trust receipts facilities in the purchase of inventory. Some of the cash holding was also deployed towards the redevelopment of one of its warehouses and paying an interim dividend.

For the year ended 30 June 2011, the Group's cash holding declined slightly to \$75.8M from \$77.8M.

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

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

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

The slowdown in the US economy and the continuing Euro debt crisis are weighing heavily on the global economic outlook. The unprecedented downgrade of US government credit rating added further gloom to the market.

Growth forecast for the Singapore economy for the 2nd half of calendar year 2011 was lowered as a result of these external uncertainties. Demand for the Group's products is going to be less predictable in the near term as the local economy adjusts to these challenging conditions. However, supply and prices of steel products are expected to remain stable in the near term.

The Group has been managing its inventory purchases prudently since the financial crisis in 2008 and will continue to exercise caution in replenishing its stock. It will tap on its extensive experience accumulated over the years to respond to changing demand patterns in order to serve its customers well. With a healthy balance sheet, the Group is able to weather any downturn in the economy and explore any opportunities that may arise.

It remains hopeful that the global economies will return to a healthy growth soon and the Group is cautiously optimistic that it will not be adversely affected in the new financial year.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

Name of Dividend Tax exempt (one-tier)	Interim (Paid on 18 Apr 11)	Interim (Paid on 20 Jul 11)	Final
Dividend Type	Cash	Cash	Cash
Dividend Amount per share	0.5 cent	0.5 cent	0.5 cent

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

Name of Dividend Tax exempt (one-tier)	Final
Dividend Type	Cash
Dividend Amount per share	1.0 cent

(c) Date payable

30 November 2011 (if approved at the forthcoming AGM).

(d) Books closure date

NOTICE IS HEREBY GIVEN that subject to the approval of the shareholders of the company at the forthcoming Annual General Meeting, the Share Transfer Books and Register of Members of Hupsteel Limited (the "Company") will be closed from 5.00 p.m. on 17 November 2011 to 18 November 2011 (both dates inclusive) for the preparation of dividend warrants.

Duly completed registrable transfers received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 up to 5.00 p.m. on 17 November 2011 will be registered to determine shareholders' entitlements to the said dividend. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 17 November 2011 will be entitled to the final dividend.

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

Not applicable.

13. Interested Person Transactions

None.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

14. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year

Geographical Information

	Singapore	Malaysia	Total for continued operations
	\$'000	\$'000	\$'000
2011			
Revenue			
Segment revenue	187,198	3,485	190,683
Inter-Segment Elimination	(1,244)	-	(1,244)
External Sales	<u>185,954</u>	<u>3,485</u>	<u>189,439</u>
Segment Results	10,471	(219)	10,252
Interest Expenses			823
Interest Income			410
Income tax expense			(1,896)
Profit from continuing operations			<u><u>9,589</u></u>
2010			
Revenue			
Segment revenue	175,246	2,909	178,155
Inter-Segment Elimination	(1,482)	-	(1,482)
External Sales	<u>173,764</u>	<u>2,909</u>	<u>176,673</u>
Segment Results	11,965	107	12,072
Interest Expenses			9
Interest Income			445
Income tax expense			(1,995)
Profit from continuing operations			<u><u>10,531</u></u>

Business Information

	Hardware	Property investment	Total for continued operations
	\$'000	\$'000	\$'000
2011 Revenue			
External Sales	188,316	1,123	189,439
Total assets	231,204	15,304	246,508
Capital expenditure	5,251	-	5,251
2010 Revenue			
External Sales	175,674	999	176,673
Total assets	239,067	15,071	254,138
Capital expenditure	2,956	-	2,956

15. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

Not applicable.

16. A breakdown of sales

	Current financial year Group \$'000	Previous financial year Group \$'000	% increase/ (decrease) Group
Sales reported in first half year	90,089	80,240	12%
Total profit	3,734	5,011	(25%)
Sales reported in second half year	99,538	96,433	3%
Total profit	8,846	5,308	67%

17. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year

	Latest Full Year (\$'000)	Previous Full Year (\$'000)
Ordinary	9,356	6,246
Preference	0	0
Total:	9,356	6,246

BY ORDER OF THE BOARD

Tan Cher Liang
Company Secretary
25 August 2011