



The Board of Directors of Hupsteel Limited (the "Company") wishes to provide additional information in response to a query received from the SGX on 29 August 2008 with regard to the Full Year Financial Statements for year ended 30 June 2008.

SGX query

We note in Paragraph 1(a) of the results announcement that 'Foreign exchange loss' has increased from S\$0.295 million in FY2007 to S\$1.9 million in FY2008. In respect of the above, please provide the following information:

- (i) Disclose the underlying items which caused the foreign exchange loss;
- (ii) Factors which resulted in the loss;
- (iii) Whether any further provisions may be necessary;
- (iv) Any hedging policies and whether the Board of Directors is fully informed.

Company's Reply

- (i) The foreign exchange loss of \$1.9M (FY07: 0.3M) was made up of \$1.1M in exchange loss realized during the year (US and Euro dollars) and \$0.8M in unrealized exchange loss arising from the revaluation of the foreign currency denominated (mainly US dollars) accounts receivables, accounts payables and cash balances as at 30 June 2008.
- (ii) As the Group makes sales and purchases in foreign currencies (US & Euro dollars), hence foreign exchange gain/loss will arise due to differences in exchange rates used between the time of invoicing and payment/receipts. Generally, foreign exchange losses arose from payment of Euro dollars denominated purchases and revaluation of US dollars denominated receivables and cash balances. However, these losses were compensated by the exchange gain arising from borrowings – trust receipts of \$2.7M (FY07:\$0.3M).
- (iii) No further provisions are necessary as the affected items had been fully considered as at 30 June 2008.
- (iv) The Group does not have a hedging policy as it tries to match its receipts with those purchases that are denominated in foreign currencies. The Executive Committee actively keeps track of the foreign exchange movements and may enter into forward currency contracts mainly for the purpose of making payment of its purchases. The Board of Directors is informed of the arrangement.