

HUPSteel Limited
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HUPSTEEL LIMITED ANNUAL REPORT 2011

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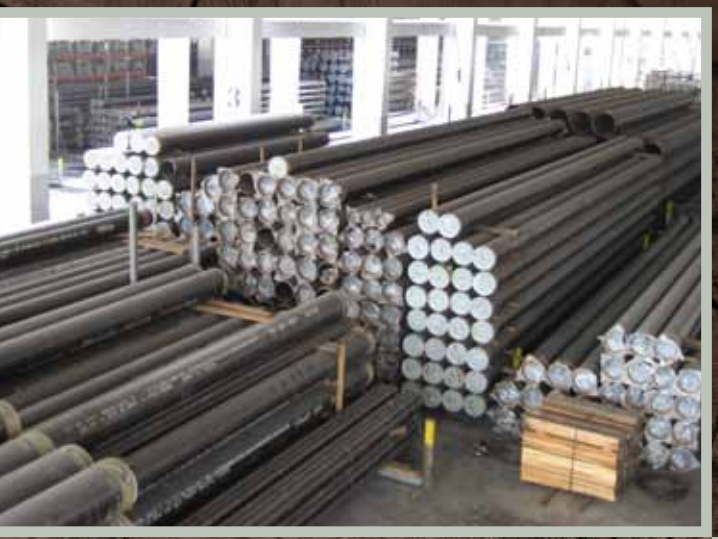





HUPSTEEL LIMITED
ANNUAL REPORT 2011









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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.
- Th is 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.

ENTERPRISING
- 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 skill-sets 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.



HUPSteel

HIGHLY-EFFICIENT

Strategically located in Singapore, HupSteel Limited plays a critical bridging role between the steel mills and the end-users.

Our modern warehousing facilities of more than 50,000 sqm is one of the most well equipped in Asia Pacific. It has a comprehensive range of inventories for immediate delivery to our valued customers. Our inventory, totaling more than 50,000 tons, consists of more than 3,000 product line items of tubular, long and flat products.

CHAIRMAN'S MESSAGE



Dear Shareholders,

The Year In Review

It is my honour to present this message as the new Non-Executive Chairman of Hupsteel Limited and its group of companies ('Hupsteel'). For the financial year ended 30 June 2011 ('FY11'), the Group reported increased revenue of $189.4M (FY10: $177.7M) and better net profit after tax of $12.6M (FY10: $10.3M). To reward shareholders, a final tax exempt cash dividend of 0.5 cent per share is proposed. Inclusive of this final dividend, the full year dividends of 1.5 cents per share amounted to about 74.2% of net profit for FY11.

The Singapore economy recorded significant growth of 14.5% in 2010 *(source: MTI press release dated 17 February 2011)*. This growth was mainly contributed by the manufacturing & financial services sectors. Customers that the Group traditionally served from the Shipbuilding, Oil and Gas sectors grew less robustly as shown by their smaller order books reported and demand for steel products did not mirror the strong growth in the general economy for 2010.

Elsewhere, the global economy was very much affected by the sovereign debt crisis in Europe in the first half of calendar year 2011. Anemic growth in the US economy further dampened market sentiment. At the same time, rising inflation in Asia, strengthening Asian currencies against the US dollar and interest rates hikes to fight inflation are affecting the economic growth of Asian countries.

During the financial year, the Group continued with its strategic redevelopment plans. It completed the upgrading of one of its warehouse facilities which is now fully operational. The redevelopment would better meet the storage needs for the Group's products and was fully financed by internal resources. The Group also invested in staff and management training to enable them to lead and adapt to the changing and challenging market environment.

With a healthy cash position and manageable borrowings as at 30 June 2011, the Group is strengthening its financial position in anticipation of further market turbulence. Our strong balance sheet will continue to provide comfort to our business associates and bankers.

Outlook

The sovereign debt crisis in Europe and the fragile recovery in the US are major factors affecting sustained global economic growth. It is still unclear if the debt crisis in Europe can be resolved before it spreads to other European countries and whether the US can revive its stalling economy.

Closer to home, the Singapore economy and those of other Asian countries are expected to continue growing albeit at a slower pace than in 2010. Hence, barring a downturn in the global economy, demand for steel products is not expected to be adversely affected for the rest of this calendar year.

As commodity prices had been rising throughout the financial year ended 30 June 2011, steel prices had also risen in tandem and are expected to remain high but stable over the near term. With stable prices and steady demand, the Group will seek ways to improve revenue for the next financial year.

The Group holds a number of industrial properties and continually reviews various strategies to maximize the value of this portfolio of investments. Despite the cooling measures implemented for residential properties, demand for industrial properties is expected to remain stable as long as the local economy continues to grow. The Group will consider all available options closely and may either redevelop and/or dispose some of its properties at the appropriate time and in response to prevailing market conditions to further enhance shareholders' value.

Dividend

Having declared and paid two tax exempt interim dividends of 0.5 cent per share each, the Board of Directors is pleased to recommend a tax exempt final dividend of 0.5 cent per share for FY11 (FY10: 0.5 cent). This brings the total tax exempt dividend for FY11 to 1.5 cents per share compared with 1.0 cent per share paid in FY10. This is to express our appreciation for the support of our shareholders.

Acknowledgement

On behalf of my fellow Directors and the Group, I would like to express our gratitude and appreciation to our former Non Executive Chairman Mr Tang See Chim for his dedication and leadership of the Group during the tenure of his office until he retired from the Board in October 2010. As I have taken over the position of Non Executive Chairman, I look forward to working even more closely with the Management and staff. I am greatly encouraged by their loyalty, dedication and contributions to the Group.

On behalf of the Board and the Group, I would also like to express our deepest appreciation to Mr Lim Yee Kim who retired from executive duties with effect from 1 August 2011 and subsequently retiring from the Board on 25 August 2011 after serving more than forty years with the Group. We are thankful for his leadership and contributions made while he was with the Group all these years.

I would also like to express the Group's appreciation to our customers, suppliers and business associates for their continuing support.

Finally, I would like to thank all my fellow Directors for their support and guidance during the year and to our shareholders for your commitment, support and loyalty to the Group.

ONG KIAN MIN
Non-Executive Chairman
26 September 2011

FINANCIAL HIGHLIGHTS



TURNOVER BY GEOGRAPHICAL LOCATIONS
$'000

FY07	284,172
FY08	433,689
FY09	321,732
FY10	177,707
FY11	**189,439**

NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS
$'000

FY07	31,175
FY08	45,106
FY09	14,060
FY10	10,319
FY11	**12,580**

EARNINGS PER SHARE
Cents

FY07	6.89
FY08	7.33
FY09	2.24
FY10	1.65
FY11	**2.02**

GROSS DIVIDEND PER SHARE
Cents

FY07	6.049
FY08	3.5
FY09	1.0
FY10	1.0
FY11	**1.5***

* *Interim dividends of 1.0 cent/share paid; tax exempt final dividend of 0.5 cent/share subject to approval by shareholders*

FINANCIAL HIGHLIGHTS

	FY2011 $'000	FY2010 $'000	FY2009 $'000	FY2008 $'000	FY2007 $'000
TURNOVER BY GEOGRAPHICAL LOCATIONS					
Singapore	136,301	136,251	251,300	347,478	206,938
Malaysia	23,814	16,544	25,903	29,481	27,260
Other South East Asia Countries	20,794	16,726	29,193	36,069	27,404
Other Countries	8,530	8,186	15,336	20,661	22,570
	189,439	177,707	321,732	433,689	284,172
RESULTS OF OPERATIONS					
Turnover	189,439	177,707	321,732	433,689	284,172
Net profit attributable to shareholders	12,580	10,319	14,060	45,106	31,175
Earnings per share (cents)	2.02	1.65	2.24	7.33	6.89
Net asset value per share (cents)	32.79	32.29	32.02	32.98	32.08
Gross dividend per share (cents)	1.50*	1.00	1.00	3.50	6.049

* *Interim dividends of 1.0 cent/share paid; tax exempt final dividend of 0.5 cent/share subject to approval by shareholders*

	FY2011 $'000	FY2010 $'000	FY2009 $'000	FY2008 $'000	FY2007 $'000
FINANCIAL POSITION					
Property, plant and equipment	28,309	24,761	23,073	24,220	19,641
Other non-current assets	25,242	27,843	27,396	26,765	27,449
Non-current assets	53,551	52,604	50,469	50,985	47,090
Current assets	192,957	201,534	183,470	274,476	179,104
Current liabilities	40,296	48,760	28,447	116,901	80,028
Net current assets	152,661	152,774	155,023	157,575	99,076
Non-current liabilities	1,752	3,708	4,608	5,514	1,038
Net assets	204,460	201,670	200,884	203,046	145,128
Share capital	106,472	106,697	107,485	107,485	68,157
Capital reserves	(1,072)	(869)	(1,516)	(978)	543
Revenue reserves	99,060	95,842	94,915	96,539	76,428
	204,460	201,670	200,884	203,046	145,128



HUPSteel

UNWAVERING-COMMITMENTS

Committed to give nothing but the best,

a trusted name for more than 60 years.

HUPSTEEL LIMITED

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General

Hupsteel Limited and its subsidiaries ('Hupsteel') began its last financial year in the midst of the strong economic growth of calendar year 2010. Although the manufacturing & services sectors grew strongly year-on-year, their growth rates turned weak for the final 2 quarters of 2010 *(source : MTI press release – 17 February 2011)*.

The global economy also did well in 2010 and in the process, drove up the prices of many commodities. Prices for oil, iron ore and coal rose steadily throughout 2010 and continued into 2011. These rises in commodity prices brought about inflation concerns in many economies and in particular, Asian countries. Some of these countries increased their interest rates several times while others implemented measures like increasing bank reserve ratio and letting their currencies strengthened against the US dollar to reduce inflationary pressures.

The rising commodity prices translated into higher steel prices especially in US dollar term. However, as the Singapore dollar strengthened against US dollar, the impact of the rising inventory cost on Hupsteel was less pronounced.

In 2011, the debt crisis in a number of European countries continued to brew despite concerted efforts by Euro zone member countries to provide rescue packages to troubled economies. If such troubles are not resolved in the near term, it may affect the global economic recovery. The poor US economic performance in the first two quarters of 2011 also did not bode well for the near term.

Against this backdrop of macroeconomic developments, customers that the Group traditionally served, mainly from the marine, oil and gas sectors were reporting sluggish demand that persisted through most of the financial year ended 30 June 2011 ('FY11').



Pipes, fittings and structural steel

Revenue for FY11 from the oil and gas segment of the Group remained fairly constant when compared with the previous year. There were fewer projects announced during the year but demand for the products for routine maintenance works generated consistent volume throughout FY11. At the same time, higher selling prices contributed to support our revenue and the strong Singapore dollar kept gross profit margins of these products steady.

Sale of pipes and fittings to local customers was proportionally higher during the financial year as uncertainties curtailed growth in the regional economies thereby affecting overseas demand for the Group's products. However the Group began to witness an increase in enquiries from our overseas customers towards the close of the financial year and believed that some of these customers would revive their projects that were put on hold earlier.

Revenue from structural steel products for FY11 inched up over the previous financial year ended 30 June 2010 ('FY10'). The better performance from this segment of business could be attributed to the higher selling prices fetched during the year. As a result, there was also a slight improvement in the gross profit margin generated from this category of products in FY11. Just as in previous years, demand for these products was mainly derived from local customers.

In FY11, the Group continued to serve its customers from the marine, oil & gas and construction sectors. Sales to marine customers continued to contribute up to half of the Group's annual revenue while sales to oil & gas customers contributed about a third and customers from the construction sector and other industries made up the balance.

At the end of 30 June 2011, the Group had a headcount of 151 comprising mainly of sales, logistics and administrative employees in Singapore and Malaysia.

With steel prices remaining stable and as demand is expected to stay stagnant in the near term, the careful management of a proper inventory mix and holding level would be critical for maintaining profitability for the Group.



Sandblasting, General Hardwares & Properties

As the lease for the property housing the Group's sandblasting operation was expiring soon, coupled with declining demand and increasing competition, the Group decided to sell the property to a third party. The Group then shut down the operation by transferring the affected operators to other subsidiaries within the Group and sold away its fully depreciated equipment. The sale of the property resulted in a net profit of approximately $3.5M.

Revenue from general hardware and sandblasting business together contributed less than 4% to the Group's annual turnover. The general hardware business had remained profitable in FY11.

Occupancy rate of the Group's industrial buildings, offices and shop houses remained healthy during FY11. The booming residential property market had also spilled over to industrial properties and all the Group's properties were valued above their carrying amounts recorded in the books. The Group is currently working at various options to maximize the value of this portfolio of properties.

Financial Review

The Group's FY11 revenue rose 7% to $189.4M from $176.7M recorded for FY10. This was generally attributed to higher selling prices fetched during the year despite soft demand in view of uncertain economic conditions. Gross profit margins for FY11 fell slightly to 15.1% from 16.3% mainly due to a write back of inventory write-down of $3.2M in FY10.

During the financial year, the Group had also completed the redevelopment of one of its warehouse facilities that would provide better storage for its structural steel products. This led to depreciation expenses rising to $1.7M from $1.6M.

Other operating expenses rose to $8.9M from $7.6M mainly due to higher exchange loss of $0.8M on foreign currency denominated assets as the Singapore dollar strengthened during the year and increases in provision for doubtful debts of $0.4M.

With the Group financed its inventory purchases with US dollar denominated trust receipts, it benefitted from exchange gain on settlement as the Singapore dollar strengthened against the US dollar during the year. This exchange gain was more than the interest expense incurred by the trust receipts and as a result, the finance cost – net registered a net gain of $823K for FY11 compared with a smaller net gain of $9K in FY10.

The Group maintained a high balance of cash and cash equivalent of $75.8M (FY10:$77.8M) in view of the uncertainties prevailing in FY11 giving confidence to its bankers and business associates. With the low level of borrowings, the Group was in a net cash position as at the end of the financial year.

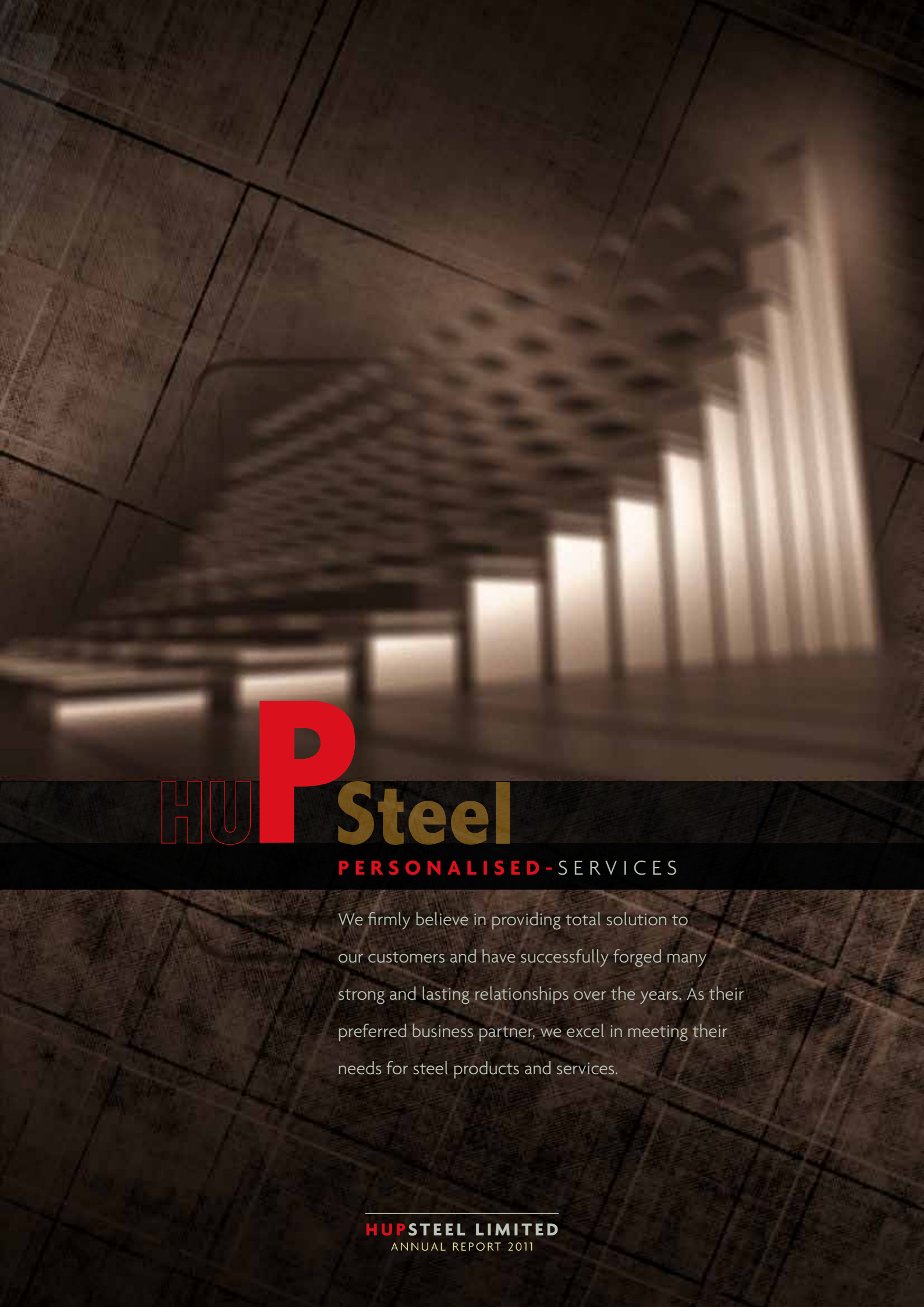
Inventory balance standing at $65.7M (FY10:$69.8M) was slightly lower than what we held at the end of FY10. This reflected the Group's continued emphasis on prudent inventory management in the midst of sluggish market demand for its inventory.

Corporate

Since the share buyback mandate was approved in 2008, Hupsteel has continued to exercise its mandate throughout FY11 and had bought a cumulative total of 3,816,000 shares by the end 30 June 2011. These shares are now kept as treasury shares.

With a strong cash position throughout FY11, the Group paid a tax exempt interim dividend of 1.0 cent/share and will declare a tax exempt final dividend of 0.5 cent/share subject to shareholders' approval at the forthcoming Annual General Meeting.

LIM KIM THOR
Chief Executive Officer



HUP Steel

PERSONALISED - SERVICES

We firmly believe in providing total solution to our customers and have successfully forged many strong and lasting relationships over the years. As their preferred business partner, we excel in meeting their needs for steel products and services.

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BOARD OF DIRECTORS



MR ONG KIAN MIN, 51, has been an Independent Director of the Company since 2003 and was appointed as Non Executive Chairman of the Board on 4 November 2010. He is also the Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees. Mr Ong was awarded the President's Scholarship and Police Force Scholarship in 1979. He holds a Bachelor of Laws (Honours) external degree from the University of London and a Bachelor of Science (Honours) degree from the Imperial College of Science and Technology in England. Mr Ong 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, mergers & acquisitions, capital markets, IPOs, divestments, restructuring and corporate finance. 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) and CEO of Kanesaka Sushi Private Limited. Mr Ong served as a Member of Parliament from 1997 to 2011.



MR LIM KIM THOR, 58, has been a Director of the Company since 1978 and was appointed as the Chief Executive Officer of the Company in 2004. He is the Chairman of the Executive Committee. Mr Lim has over 30 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 is responsible for the execution of the Group's business strategy and business expansion.

Mr Lim has always been serving actively with the Singapore Metal and Machinery Association and he is the Vice President of its 40th council (2010 – 2011).



MR LIM BOH CHUAN, 53, 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 20 years of experience in industrial hardware business. Mr Lim assists Chief Executive Officer in general management and is responsible for the Group's property business and is in charge of the Business Development Division 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.



MR LIM BEO PENG, 50, has been a Director of the Company since 1993 and is a member of the Executive Committee. He assumed Executive functions in 2005 by being in charge of the newly created 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 20 years of experience in the industrial hardware business. Beside his business interest, Mr Lim is also represented in the 38th Honorary Committee (2006-2007) of the Singapore Metal & Machinery Association.

BOARD OF DIRECTORS



MR LIM ENG CHONG, 54, 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.



MR LIM PUAY KOON, 51, 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, ASEAN, Datacraft Asia Ltd.



MR LIM CHEE SAN, 51, 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 27 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.



MR CHAN KAM LOON, 51, 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.

STEEL BUSINESS & BUSINESS DEVELOPMENT







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.

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 close to 20 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.

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.

MR PHILIP TEO LEONG SENG, is the Marketing Manager of the Company since 2004. He is responsible for the marketing, sales and procurement of stainless 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.

MR THOMAS ONG HAN BOON, is the Senior Marketing Manager of Hoe Seng Huat Pte Ltd, a wholly owned subsidiary of the Company. Mr. Ong is involved in sales, marketing and procurement activities of the Company. He is also responsible for new market development and overseeing the sales and marketing team. He has been in the industrial hardware and steel business for over 36 years. Mr. Ong holds a GCE "A" Level Certificate.

CORPORATE SERVICES





MR LIM KOK WAH, as the Head of Logistics, Mr Lim Kok Wah, is responsible for the logistics and warehousing function of the Group. He also assists the General Manager (Sales & Procurement) in procurement of pipe fittings to meet the customers' various needs. He first joined the Company as the Corporate Development Manager in December 2001 and was promoted to the Head of Logistics in January 2006. Mr Lim has several years of experience in public accounting with one of the Big Four public accounting firms and internal audit experience. Mr Lim is a Certified Public Accountant (CPA) and a Certified Internal Auditor (CIA). Mr Lim holds a Bachelor of Accountancy degree (Honours) from Nanyang Technological University.

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).

MR PECK KIM GEE, joined the Company as a Project Development Manager in 1995. His main responsibilities are assisting the Deputy 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.

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 holds a Diploma in Administrative Management.

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
(Appointed on 4 Nov 2010)
Mr Lim Kim Thor
Chief Executive Officer & Managing Director
Mr Lim Boh Chuan
Deputy Managing Director
Mr Lim Beo Peng
Executive Director
Mr Lim Eng Chong
Non-Executive Director
Dr Lim Puay Koon
Non-Executive Director
Mr Chan Kam Loon, Philip
Independent, Non-Executive Director
Mr Lim Chee San
Independent, Non-Executive Director
Mr Lim Yee Kim *(resigned on 25 August 2011)*

EXECUTIVE COMMITTEE

Mr Lim Kim Thor *Chairman*
Mr Lim Boh Chuan
Mr Lim Beo Peng

AUDIT COMMITTEE

Mr Chan Kam Loon, Philip *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 Chan Kam Loon, Philip

COMPANY SECRETARY

Mr Tan Cher Liang

REGISTERED ADDRESS

50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

BUSINESS OFFICE

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SHARE REGISTRAR

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Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Tel : (65) 6230 9608

AUDITORS

PricewaterhouseCoopers LLP
8 Cross Street #17-00
PWC Building
Singapore 048424
Tel : (65) 6236 3388

AUDIT PARTNER-IN-CHARGE

Mr Daniel Khoo
Date of appointment : 12 Nov 2007

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 2005 ("the Code"). In areas where the Group deviates from the Code, the rationales are provided.

This Report describes the Company's corporate governance framework in place with reference to the Code.

BOARD MATTERS

Principle 1 : The Board's Conduct of its Affairs

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' Report thereto, proposals of dividends and authorization 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 such as Executive Committee ("EC"), Audit Committee ("AC"), Remuneration Committee ("RC"); and Nominating Committee ("NC").

The EC comprises Mr Lim Kim Thor (Chairman), Mr Lim Boh Chuan, Mr Lim Yee Kim and Mr Lim Beo Peng. Mr Lim Yee Kim has resigned on 25 August 2011.

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 are given briefings by the Management on the Group's business activities, strategic directions, policies and the regulatory environment in which it operates, as well as their statutory and other duties and responsibilities of directors.

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, half yearly and year-end announcements. 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 held during the financial year is as follows :-

	Board Meeting		Executive Committee ('EC')		Audit Committee ('AC')		Remuneration Committee ('RC')		Nominating Committee ('NC')	
	Held	Attend	Held	Attend	Held	Attend	Held	Attend	Held	Attend
Ong Kian Min	5	5	-	-	4	4	1	1	1	1
Lim Kim Thor	5	5	7	7	-	-	-	-	-	-
Lim Boh Chuan	5	5	7	7	-	-	-	-	-	-
Lim Yee Kim[1]	5	5	7	7	-	-	-	-	-	-
Lim Eng Chong	5	4	-	-	-	-	1	1	1	1
Lim Puay Koon	5	4	-	-	4	4	-	-	-	-
Lim Beo Peng	5	5	7	7	-	-	-	-	-	-
Chan Kam Loon, Philip	5	5	-	-	4	4	1	-	-	-
Lim Chee San	5	5	-	-	4	4	-	-	-	-
Tang See Chim[2]	2	2	-	-	1	1	1	1	1	1

Note
(1) Mr Lim Yee Kim has resigned on 25 August 2011.
(2) Mr Tang See Chim retired from the Board at the last AGM on 28 October 2010.

Principle 2 : Board's Composition and Balance

Principle 3 : Role of Chairman and Chief Executive Officer

Currently the Board of Directors comprises eight directors, three of whom are independent non-executive and two of whom are non-independent and non-executive.

Mr Ong Kian Min is the Independent and Non-Executive Chairman of the Board of Directors while Mr Lim Kim Thor is the Chief Executive Officer ("CEO") and the Managing Director of the Group.

The Chairman is responsible for board proceedings and ensures that the Board members work together with the Management. The Board engages Management in constructive discussions on various matters, including strategic issues and business planning processes.

Principle 4: Board membership

Principle 5: Board Performance

The NC meets at least once every financial year and it comprises three members, majority of the members are independent and non-executive, as follows:

Ong Kian Min	(Chairman-Independent non-executive)
Lim Chee San	(Independent non-executive)
Lim Eng Chong	(Non independent and non-executive)

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 and re-appointment 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 competiting 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 Articles of Association. NC will take guidance from the Company's Articles of Association on the re-election of directors and the Companies Act on the re-appointment of directors above the age of 70 years.

Article 88 of the Company's Articles of Association 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. Mr Lim Eng Chong and Mr Chan Kam Loon, Philip will retire at the forthcoming Annual General Meeting and have offered themselves for re-election. Mr Lim Eng Chong and Mr Chan Kam Loon, Philip have consented to be re-elected.

Periodically and to ensure relevance NC will review the structure, size and composition of the Board. NC and the Board opined that the current size and 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. Also there is 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.

Annually NC, together with participation from all directors, assesses the performance of the board as a whole and the contribution of each individual director to the effectiveness of the Board. In the process NC will also look at the performance, direction and vision of the Group including the continuity of stewardship.

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

Principle 6 : Access to Information

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 his nominee attend all board meetings and assist the Chairman in ensuring that board procedures are followed.

REMUNERATION MATTERS

Principle 7 : Procedures for Developing Remuneration Policies

Principle 8 : Level and Mix of Remuneration

Principle 9 : Disclosure on Remuneration

The RC, which meets at least once every financial year, comprises three directors, of whom two are independent non-executive and one non-executive, as follows:-.

Lim Chee San	(Chairman, Independent non-executive director)
Lim Eng Chong	(Non-independent and non-executive)
Chan Kam Loon, Philip	(Independent 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. The RC is chaired by an independent non-executive director and the committee has access to expert advice inside and outside the Company for knowledge on executive compensation.

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 (%)	Share Options Granted
$750,001 and above						
Lim Kim Thor	35.1	53.6	10.3	1.0	100	-
$500,001 - $750,000						
Lim Boh Chuan	46.8	37.4	14.4	1.4	100	-
$250,001 - $500,000						
Lim Yee Kim[1]	48.2	30.4	19.3	2.1	100	-
Lim Beo Peng	59.5	14.5	23.0	3.0	100	100,000
Below $250,000						
Lim Eng Chong	-	-	-	100	100	-
Lim Puay Koon	-	-	-	100	100	-
Ong Kian Min	-	-	-	100	100	-
Chan Kam Loon, Philip	-	-	-	100	100	-
Lim Chee San	-	-	-	100	100	-

Note
(1) Mr Lim Yee Kim resigned on 25 August 2011.

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 once a year.

The Board is of the view that disclosure of the remuneration of 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 for the financial year ended 30 June 2011.

There is no employee in the Group, being an immediate family member of a director, whose remuneration exceeds S$150,000 during the year.

ACCOUNTABILITY AND AUDIT

Principle 10 : Accountability

The Board account 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 release to the SGX-ST.

Principle 11 : Audit Committee

Principle 12 : Internal Controls

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.

The composition of AC is as follows:-

Chan Kam Loon, Philip	(Chairman - Independent non-executive director)
Ong Kian Min	(Independent non-executive director)
Lim Puay Koon	(Non-independent and non-executive director)
Lim Chee San	(Independent non-executive director)

Details of the functions and responsibilities of the AC are found in the Directors' Report.

The AC has full access to and co-operation from Management and meets external and internal auditors without the presence of Company's Management.

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 AC confirmed that it has undertaken a review of all non-audit services provided by the external auditors and is satisfied that such services would not, in the AC's opinion, affect the independence of the auditors. The Auditors have affirmed their independence.

The Company has in place a whistle-blowing framework where staff of the Group can access to the AC Chairman to raise concerns about improprieties. Contact detail of the AC Chairman is made available to all staff. There was no complaint received up to the date of this report.

Principle 13 : Internal Audit

The Group has outsourced the internal audit functions to Messrs Ernst & Young LLP. 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 Auditor reports directly to the Chairman of the AC and make recommendations on their findings.

The Group's external auditors, PricewaterhouseCoopers LLP, also contribute an independent perspective on the internal control systems arising from their audit and annually report their findings to the AC.

COMMUNICATION WITH SHAREHOLDERS

Principle 14 : Regular, effective and fair communication with shareholders

The Board strives to ensure that all material information is disclosed to the shareholders in an adequate and on timely basis. The Board informs and communicates with shareholders through annual reports, announcements release through SGX-ST and advertisement of notice of General Meetings.

Principle 15 : Greater shareholder participation

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.

SECURITIES TRANSACTIONS

An internal code, which complies with Rule 1207(18) 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 Audit Committee. There was no interested person transaction for the financial year ended 30 June 2011.

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 reviews all significant control policies and procedures and highlights 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 FY2011, exports accounted for 28% of the Group's revenue as compared to 23% in FY2010. 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 recognized 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.

Exposure to credit risks

The Group is exposed to credit risk 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 minimize 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 dependent 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$. The Group is exposed to fluctuations in foreign exchange rates particularly as its sales and purchases are denominated in different currencies. For FY2011, approximately 73% of its total purchases were made in US$, whilst approximately 89% of its total sales were denominated in S$, 9% in US$ and 2% 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.

The directors present their report to the shareholders together with the audited financial statements of the Group for the financial year ended 30 June 2011 and the balance sheet of the Company as at 30 June 2011.

Directors

The directors of the Company in office at the date of this report are as follows:

Mr Ong Kian Min
Mr Lim Kim Thor
Mr Lim Boh Chuan
Mr Lim Beo Peng
Mr Lim Eng Chong
Dr Lim Puay Koon
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		Holdings in which director is deemed to have an interest	
	At 30.06.2011	At 01.07.2010	At 30.06.2011	At 01.07.2010
Company				
(No. of ordinary shares)				
Lim Kim Thor	34,404,900	34,404,900	93,195,000	93,195,000
Lim Boh Chuan	36,200,250	36,200,250	93,015,000	93,015,000
Lim Yee Kim *	32,379,750	32,379,750	93,015,000	93,015,000
Lim Eng Chong	22,602,150	22,602,150	93,015,000	93,015,000
Lim Puay Koon	36,202,500	36,202,500	93,015,000	93,015,000
Lim Beo Peng	13,403,550	13,403,550	-	-

* Mr Lim Yee Kim was a director of the Company until his resignation on 25 August 2011.

Directors' interests in shares or debentures (continued)

(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 2011 were the same as at 30 June 2011.

Directors' contractual benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the accompanying financial statements and in this report, and except that certain directors have employment relationships with the Company, and have received remuneration in those capacities.

Share options

There were no options 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

Audit Committee (continued)

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, audit report and any matters which the external auditors wish to discuss, without the presence of management;

(ii) 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, without the presence of management;

(iii) reviewed the balance sheet of the Company and the consolidated financial statements of the Group in the quarterly announcements and annual report;

(iv) made recommendations to the Board on the appointment of the external and internal auditors and on their remunerations; and

(v) 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.

Independent Auditor

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

On behalf of the directors

Lim Kim Thor
Director

Lim Boh Chuan
Director

30 September 2011

STATEMENT BY DIRECTORS

For the financial year ended 30 June 2011

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 29 to 84 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2011 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; 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.

On behalf of the directors

Lim Kim Thor
Director

Lim Boh Chuan
Director

30 September 2011

INDEPENDENT AUDITOR'S REPORT

To The Shareholders Of Hupsteel Limited

Report on the Financial Statements

We have audited the accompanying financial statements of HUPSteel Limited (the "Company") and its subsidiaries (the "Group") set out on pages 29 to 84, which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 30 June 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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 Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, 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, that transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2011, and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

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 subsidiaries incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

PricewaterhouseCoopers LLP
Public Accountants and Certified Public Accountants

Singapore, 30 September 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 30 June 2011

	Note	Group 2011 $'000	Group 2010 $'000
Continuing operations			
Revenue	4	**189,439**	176,673
Other income	5	**990**	1,122
Other losses – net	6	**(1,302)**	(155)
Expenses			
- Purchases of inventories		**(157,014)**	(150,517)
- Changes in inventories		**(3,880)**	2,623
- Employee compensation	7	**(8,244)**	(8,222)
- Depreciation	21,22	**(1,706)**	(1,599)
- Finance	8	**823**	9
- Other	9	**(7,621)**	(7,408)
Total expenses		**(177,642)**	(165,114)
Profit before income tax		**11,485**	12,526
Income tax expense	10	**(1,896)**	(1,995)
Profit from continuing operations		**9,589**	10,531
Discontinued operation			
Profit/(loss) from discontinued operation	11	**2,991**	(212)
Total profit		**12,580**	10,319
Other comprehensive income:			
Currency translation differences arising from consolidation	29(b)	**(226)**	179
Financial assets, available-for-sale			
- Fair value gains	29(b)	**23**	469
Other comprehensive (loss)/income, net of tax		**(203)**	648
Total comprehensive income		**12,377**	10,967
Profit attributable to equity holders of the Company		**12,580**	10,319
Total comprehensive income attributable to equity holders of the Company		**12,377**	10,967
Earnings per share for profit from continuing operations attributable to equity holders of the Company (cents per share)	12		
- Basic		**1.54**	1.68
- Diluted		**1.54**	1.68
Earnings per share for profit from discontinued operation attributable to equity holders of the Company (cents per share)	12		
- Basic		**0.48**	(0.03)
- Diluted		**0.48**	(0.03)

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

BALANCE SHEETS

As at 30 June 2011

	Note	Group		Company	
		2011	2010	**2011**	2010
		$'000	$'000	**$'000**	$'000
ASSETS					
Current assets					
Cash and cash equivalents	13	**75,834**	77,814	**44,163**	49,822
Trade and other receivables	15	**51,204**	53,789	**16,071**	13,222
Inventories	16	**65,720**	69,782	**33,119**	34,600
Other current assets	17	**199**	149	**74**	67
		192,957	201,534	**93,427**	97,711
Non-current assets					
Financial assets, available-for-sale	18	**6,306**	8,783	**6,306**	8,783
Investment in club membership		**57**	45	**-**	-
Investment in subsidiaries	19	**-**	-	**9,457**	9,457
Loan to a subsidiary	20	**-**	-	**36,579**	32,059
Investment properties	21	**14,188**	14,313	**6,822**	6,856
Property, plant and equipment	22	**28,309**	24,761	**336**	427
Goodwill	23	**4,630**	4,630	**-**	-
Deferred income tax assets	27	**61**	72	**-**	-
		53,551	52,604	**59,500**	57,582
Total assets		**246,508**	254,138	**152,927**	155,293
LIABILITIES					
Current liabilities					
Trade and other payables	24	**19,636**	28,226	**5,575**	6,909
Current income tax liabilities	10	**1,935**	1,895	**581**	652
Derivative financial instruments	14	**-**	37	**-**	10
Borrowings	25	**15,338**	18,602	**2,470**	905
Provision for directors' retirement gratuity	26	**269**	-	**269**	-
Dividend Payable		**3,118**	-	**3,118**	-
	30	**40,296**	48,760	**12,013**	8,476
Non-current liabilities					
Borrowings	25	**-**	1,731	**-**	-
Provision for directors' retirement gratuity	26	**854**	1,062	**854**	1,062
Deferred income tax liabilities	27	**898**	915	**515**	527
		1,752	3,708	**1,369**	1,589
Total liabilities		**42,048**	52,468	**13,382**	10,065
NET ASSETS		**204,460**	201,670	**139,545**	145,228
EQUITY					
Share capital	28	**107,485**	107,485	**107,485**	107,485
Treasury shares	28	**(1,013)**	(788)	**(1,013)**	(788)
Other reserves	29	**(1,072)**	(869)	**1,672**	1,649
Retained profits		**99,060**	95,842	**31,401**	36,882
Total equity		**204,460**	201,670	**139,545**	145,228

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June 2011

	Note	Attributable to equity holders of the Company						
		Share capital	Treasury shares	Capital reserves	Currency translation reserves	Fair value reserves	Retained profits	Total equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
2011								
Beginning of financial year		**107,485**	**(788)**	**(1,216)**	**(595)**	**942**	**95,842**	**201,670**
Purchase of treasury shares	28	-	(225)	-	-	-	-	(225)
Dividends paid	30	-	-	-	-	-	(9,362)	(9,362)
Total comprehensive income		-	-	-	(226)	23	12,580	12,377
End of financial year		**107,485**	**(1,013)**	**(1,216)**	**(821)**	**965**	**99,060**	**204,460**
2010								
Beginning of financial year		**107,485**	**-**	**(1,216)**	**(774)**	**473**	**94,915**	**200,883**
Purchase of treasury shares	28	-	(788)	-	-	-	-	(788)
Dividends paid	30	-	-	-	-	-	(9,392)	(9,392)
Total comprehensive income		-	-	-	179	469	10,319	10,967
End of financial year		**107,485**	**(788)**	**(1,216)**	**(595)**	**942**	**95,842**	**201,670**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year 30 June 2011

	Note	**2011 $'000**	2010 $'000
Cash flows from operating activities			
Total profit		**12,580**	10,319
Adjustments for			
- Income tax expense		**1,899**	1,997
Property, plant and equipment and investment properties			
- Depreciation		**1,710**	1,607
- Net (gain)/loss on disposal		**(3,458)**	87
- Impairment reversal		**-**	(336)
Financial assets, available-for-sale			
- Gain on disposal		**(6)**	(5)
-Impairment loss in club membership		**-**	15
-Interest income		**(410)**	(446)
-Interest expense		**231**	148
-Dividend income		**(399)**	(404)
		12,147	12,982
Change in working capital			
- Inventories		**4,062**	(2,645)
- Trade and other receivables		**2,585**	8,722
- Derivative financial instruments		**(37)**	(376)
- Trade and other payables		**(8,590)**	7,315
- Provision for director retirement gratuity		**61**	61
- Other current assets		**(62)**	106
Cash generated from operations		**10,166**	26,165
Income tax paid		**(1,865)**	(2,991)
Interest received		**410**	446
Net cash provided by operating activities		**8,711**	23,620
Cash flows from investing activities			
Property, plant and equipment			
- Purchases		**(5,251)**	(2,956)
- Proceeds from disposal		**3,485**	109
Financial assets, available-for-sale			
- Purchases		**(1,500)**	(171)
- Proceeds from disposal		**4,006**	20
Dividends received		**399**	404
Net cash provided by/(used in) investing activities		**1,139**	(2,594)
Cash flows from financing activities			
Purchase of treasury shares		**(225)**	(788)
Proceeds from trust receipts		**99,054**	53,690
Repayment of trust receipts		**(101,321)**	(39,252)
Dividends paid to shareholders		**(6,244)**	(9,392)
Repayment of term loan		**(2,728)**	(991)
Interest paid		**(231)**	(148)
Net cash (used in)/provided by financing activities		**(11,695)**	3,119
Net (decrease)/increase in cash and cash equivalents		**(1,845)**	24,145
Cash and cash equivalents at beginning of the financial year	13	**77,814**	53,567
Effects of currency translation on cash and cash equivalents		**(135)**	102
Cash and cash equivalents at end of the financial year	13	**75,834**	77,814

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

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 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623. Its principal place of business 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 19 to the financial statements.

The sand-blasting business segment was discontinued during the financial year (Note 11).

2. Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared 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 2010

On 1 July 2010, the Group adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The following are the new or revised FRS and INT FRS that are relevant to the Group:

- Amendments to FRS 7 Cash flow statements (effective from annual periods beginning 1 January 2010). The amendment requires that expenditures can be classified as investing cash flows only if they result in a recognised asset in the statement of financial position.

The adoption of the new or amended FRS and INT FRS did not result in substantial changes to the Group's and Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

2. Significant accounting policies (continued)

2.2 Revenue recognition

Sales comprises 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 collectibility 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

Revenue from these sales is recognised when a Group entity 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.

(b) Rendering of services

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

(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 is recognised using the effective interest method.

2.3 Group accounting

(a) Subsidiaries

(i) Consolidation

Subsidiaries are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which 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.

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(a) Subsidiaries (continued)

(ii) Acquisition of businesses

The acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred.

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 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 fair value of the net identifiable assets acquired is recorded as goodwill. Please refer to the paragraph "Goodwill on acquisitions" for the subsequent accounting policy on goodwill.

(iii) Disposals of subsidiaries or businesses

When a change in the Company'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 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 interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained investment 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" for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

2. Significant accounting policies (continued)

2.4 Property, plant and equipment

(a) Measurement

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

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 that are directly attributable to the acquisition, construction or production of a qualifying assets (refer to Note 2.6 on borrowing costs).

(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 20 years
Plant and machinery	3 to 20 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. Asset under construction is not depreciated until it is ready for use.

(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 Income'. Any amount in revaluation reserve relating to the asset is transferred to retained profits directly.

2. Significant accounting policies (continued)

2.5 Goodwill on acquisitions

Goodwill on acquisitions of subsidiaries on or after 1 January 2010 represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any provious equity interest in the acquiree over the fair value of the net identifiable assets acquired.

Goodwill on acquisition of subsidiaries prior to 1 January 2010 represents the excess of the cost of the acquisition over the fair value of the Group's share of the net identifiable assets acquired.

Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Gains and losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the entity sold, except for goodwill arising from acquisition prior to 1 January 2001. Such goodwill was adjusted against retained profits in the year of acquisition and is not recognised in profit or loss on disposal.

2.6 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 of properties. This includes those costs on borrowings acquired specially for the construction or development of properties as well as those in relation to general borrowings used to finance the construction of properties.

2.7 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 are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Freehold land 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 up to 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.

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.

Investment properties under construction are not depreciated until it is ready for use.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

Certain freehold land and buildings were revalued in August 1992 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. No subsequent revaluations were made.

Any amount in the asset revaluation reserve is transferred to retained profits directly upon disposal of the investment property.

2. Significant accounting policies (continued)

2.8 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.

2.9 Impairment of non-financial assets

(a) Goodwill

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

(b) Property, plant and equipment
Investment properties
Investments in subsidiaries

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.

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.

2. Significant accounting policies (continued)

2.9 Impairment of non-financial assets (continued)

(b) Property, plant and equipment
Investment properties
Investments in subsidiaries (continued)

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 credited to profit or loss.

2.10 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" and "cash and cash equivalents" on the balance sheet.

(ii) Financial assets, available-for-sale

Financial assets, available-for-sale, 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 management intends to dispose off the assets within 12 months after the balance sheet date.

(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 the fair value reserve relating to that asset is reclassified to profit or loss.

2. Significant accounting policies (continued)

2.10 Financial assets (continued)

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs.

(d) Subsequent measurement

Financial assets, 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 financial assets, available-for-sale are recognised separately in income. Changes in the fair values of available-for-sale equity securities are recognised 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.

The allowance for impairment loss account 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) Financial assets, available-for-sale

In addition to the objective evidence of impairment described in Note 2.10 (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 asset is impaired.

If any evidence of impairment exists, the cumulative loss that was recognised in the fair value reserve 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. Significant accounting policies (continued)

2.11 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.

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.

2.12 Trade and other payables

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.13 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.

2.14 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 price used for financial assets are the current bid prices.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2.15 Leases

(a) When the Group is the lessee:

The Group leases land and warehouses 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. Significant accounting policies (continued)

2.16 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.

2.17 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.

2.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

2. Significant accounting policies (continued)

2.19 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.

(c) Directors' profit sharing

The Group recognises a liability and an expense for profit sharing, based on a formula that takes into consideration the Group's profit before income tax. The Group recognises a provision when contractually obliged to pay or when there is a past practice that has created a constructive obligation to pay.

2.20 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 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, unless they arise from borrowings in foreign currencies, other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations. Those currency translation differences are recognised in the currency translation reserve in the consolidated financial statements and transferred to profit or loss as part of the gain or loss on disposal of the foreign operation.

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.

2. Significant accounting policies (continued)

2.20 Currency translation (continued)

(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 rate (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 the currency translation reserve.

2.21 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.

2.22 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.

2.23 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.

2.24 Dividends to Company's shareholders

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

2.25 Discontinued operation

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale and:

(a) represents a separate major line of business or geographical area of operations; or

(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or

(c) is a subsidiary acquired exclusively with a view to resale.

2. Significant accounting policies (continued)

2.26 Government grants

Grants from government are recognized at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions. Government grants relating to expenses are offset against the related expenses.

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.

(a) Estimated impairment of goodwill

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 23).

Management believes that any reasonably possible change in the key estimates on which the recoverable amounts of the cash-generating units is based would not cause the cash-generating units' carrying amount to exceed its recoverable amount.

(b) Estimated allowance of inventory write-down

The Group assesses annually whether any allowance is required to reflect the carrying value of inventory. Net realisable values have been determined based on the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(c) Estimated allowances for impairment of receivables

The Group makes allowance for impairment of receivables based on an assessment of the recoverability of trade receivables and other receivables. Allowances for impairment of receivables are applied to trade receivables and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful receivables requires the use of judgement and estimates. Where the actual is different from the original estimate, such difference will impact carrying value of receivables and the allowance for impairment of receivables in the period in which such estimate has been changed.

4. Revenue

	Group	
	2011	2010
	$'000	$'000
Sale of goods	**186,913**	174,459
Services rendered	**1,349**	1,342
Rental income	**1,177**	872
	189,439	176,673

5. Other income

	Group	
	2011	2010
	$'000	$'000
Dividend income	**399**	404
Gains on disposal of property, plant and equipment	**7**	10
Gain on disposal of financial assets, available-for-sale	**6**	5
Sale of scrap metal	**31**	169
Interest income from :		
- fixed deposits	**341**	396
- quoted corporate bonds	**61**	41
- other	**8**	9
	410	446
Sundry income	**137**	88
	990	1,122

6. Other losses - net

	Group	
	2011	2010
	$'000	$'000
Currency exchange losses - net	**1,161**	394
Fair value loss on derivative financial instruments not qualifying as hedges	**141**	97
Reversal of impairment on property, plant and equipment (Note 22)	**-**	(336)
	1,302	155

7. Employee compensation

	Group	
	2011	2010
	$'000	$'000
Wages and salaries	**7,327**	7,738
Directors' fees	**331**	466
Employer's contribution to defined contribution plans including Central Provident Fund	**697**	624
Retirement gratuity	**61**	61
Less: Government grant - Jobs credit scheme	**-**	(263)
	8,416	8,626
Less: Amount attributable to discontinued operation	**(172)**	(404)
Amounts attributable to continuing operations	**8,244**	8,222

8. Finance income

	Group	
	2011	2010
	$'000	$'000
Interest expense on :		
- term loan	**37**	77
- trust receipts	**194**	71
	231	148
Net currency exchange gains	**(1,054)**	(157)
	(823)	(9)

9. Other expenses

	Group	
	2011	2010
	$'000	$'000
Rental expense on operating leases	**736**	654
Outward freight and handling charges	**3,716**	3,717
Allowance for impairment of receivables - net	**576**	177
Legal and professional charges	**283**	388
Property taxes	**471**	450
Repairs and maintenance	**296**	308
Upkeep of motor vehicles	**283**	260
Utilities	**109**	103
Bank charges	**172**	206
Other	**979**	1,145
	7,621	7,408

10. Income taxes

(a) Income tax expense

	Group	
	2011	2010
	$'000	$'000
Tax expense attributable to profit is made up of:		
From continuing operations		
Current income tax		
- Singapore	**1,874**	1,976
- Foreign	**32**	8
	1,906	1,984
Deferred income tax (Note 27)	**9**	21
	1,915	2,005
From discontinued operation		
Current income tax		
- Singapore	**-**	1
Under/(over) provision in preceding financial years		
From continuing operations		
- current income tax	**1**	(60)
- deferred income tax (Note 27)	**(20)**	50
	(19)	(10)
From discontinued operation		
- deferred income tax (Note 27)	**3**	1
Total	**1,899**	1,997
Tax expense is attributable to:		
- continuing operations	**1,896**	1,995
- discontinued operation (Note 11)	**3**	2
	1,899	1,997

10. Income taxes (continued)

(a) Income tax expense (continued)

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

	Group	
	2011	2010
	$'000	$'000
Profit before tax from		
- continued operations	**11,485**	12,526
- discontinued operation	**2,994**	(210)
	14,479	12,316
Tax calculated at tax rate of 17% (2010: 17%)	**2,461**	2,094
Effects of:		
- Expenses not deductible for tax purposes	**304**	234
- Income not subject to tax	**(716)**	(203)
- Income subject to concessionary tax rate	**(3)**	(3)
- Effect of different tax rate in other country	**12**	20
- Statutory stepped income exemption	**(143)**	(136)
Tax charge	**1,915**	2,006

(b) Movement in current income tax liabilities

	Group		Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**1,895**	2,960	**652**	2,243
Currency translation differences	**(2)**	1	**-**	-
Income tax paid	**(1,865)**	(2,991)	**(672)**	(2,243)
Tax expense	**1,906**	1,985	**601**	681
Under/(over) provision in preceding financial year	**1**	(60)	**-**	(29)
End of financial year	**1,935**	1,895	**581**	652

11. Discontinued operation

Following the approval of the Group's management on 12 January 2011 to sell the leasehold premise located at 22 Benoi Road for a sum of $3,450,000, the sand-blasting business was discontinued during the financial year.

(a) The results of the discontinued operation and the re-measurement of the disposal group are as follows:

	Group	
	2011	2010
	$'000	$'000
Revenue	**74**	643
Expenses	**(531)**	(853)
Loss before tax from discontinued operation	**(457)**	(210)
Tax	**(3)**	(2)
Loss after tax from discontinued operation	**(460)**	(212)
Gain on disposal of property, plant and equipments	**3,451**	-
Total profit/(loss) from discontinued operation	**2,991**	(212)

(b) The impact of the discontinued operation on the cash flows of the Group is as follows:

	Group	
	2011	2010
	$'000	$'000
Operating cash outflows	**(256)**	(36)
Investing cash inflows	**3,458**	-
Financing cash outflows	**(4,050)**	-
Total cash outflows	**(848)**	(36)

(c) Total comprehensive income attributable to the equity holders of the Company relates to:

- Continuing operations	**9,386**	11,179
- Discontinued operation	**2,991**	(212)
Total	**12,377**	10,967

12. Earnings per share

(a) Basic earnings per share

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

	Continuing operations		Discontinued operation		Total	
	2011	2010	**2011**	2010	**2011**	2010
Profit attributable to equity holders of the Company ($'000)	**9,589**	10,531	**2,991**	(212)	**12,580**	10,319
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**624,239**	625,737	**624,239**	625,737	**624,239**	625,737
Basic earnings per ordinary share (cents)	**1.54**	1.68	**0.48**	(0.03)	**2.02**	1.65

(b) Diluted earnings per share

Fully diluted earnings per share is the same as the basic earnings per share.

13. Cash and cash equivalents

	Group		Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Cash and bank balances	**39,032**	51,007	**19,757**	27,646
Short-term bank deposits	**36,802**	26,807	**24,406**	22,176
	75,834	77,814	**44,163**	49,822

14. 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
2010						
Non-hedging instruments						
- Currency forwards	696	-	(37)	333	-	(10)

The Group and Company did not enter into any derivative financial instrument contract as at 30 June 2011.

15. Trade and other receivables

	Group		Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Trade receivables				
- Third parties	**51,920**	53,947	**8,150**	7,779
- Subsidiaries	**-**	-	**6,579**	3,888
Less: Allowance for impairment of receivables - Third parties	**(820)**	(288)	**(25)**	(49)
Trade receivables - net	**51,100**	53,659	**14,704**	11,618
Loan to a subsidiary	**-**	-	**-**	1,099
Non-trade receivables from subsidiaries	**-**	-	**1,290**	399
Goods and services tax recoverable	**18**	9	**3**	-
Staff loans	**86**	106	**74**	106
Interest receivable	**-**	15	**-**	-
	51,204	53,789	16,071	13,222

Loan to a subsidiary is fully repaid as at 30 June 2011. The amount is unsecured and repayable on demand. Interest is fixed at 3.0% per annum in 2010.

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

A net loss on impairment of trade receivables amounting to $576,000 (2010: $177,000) is recognised as an expense and included in "Other expenses" in Note 9.

16. Inventories

	Group		Company	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
Steel product merchandise	**65,720**	69,782	**33,119**	34,600

The cost of inventories recognised as an expense to the Group's continuing operations amounts to $160,894,000 (2010: $147,894,000).

During the financial year, the Group reversed an inventory write-down of $nil (2010: $3,170,000).

17. Other current assets

	Group		Company	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
Deposits	**22**	31	**7**	4
Prepayments	**177**	118	**67**	63
	199	149	**74**	67

18. Financial assets, available-for-sale

	Group		Company	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
Beginning of financial year	**8,783**	8,158	**8,783**	8,158
Additions	**1,500**	171	**1,500**	171
Disposals	**(4,000)**	(15)	**(4,000)**	(15)
Fair value gains recognised in equity (Note 29)	**23**	469	**23**	469
End of financial year	**6,306**	8,783	**6,306**	8,783

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

	Group		Company	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
Listed securities				
- Available-for-sale equity securities - Singapore	**1,145**	1,032	**1,145**	1,032
- Available-for-sale debt securities - Singapore	**5,161**	7,751	**5,161**	7,751
	6,306	8,783	**6,306**	8,783

19. Investment in subsidiaries

	Company	
	2011	2010
	$'000	$'000
Equity investments at cost	**9,457**	9,457

The particulars of the subsidiaries are as follows:

Name	Place of incorporation and business	Principal activities	Effective Interest		Cost of unquoted equity investment	
			2011	2010	**2011**	2010
			%	%	**$'000**	$'000
Held by the Company						
Eastern Win Metals & Machinery Pte Ltd@	Singapore	General hardware trading and racking services	**100**	100	**364**	364
Metal House Investment Pte Ltd@	Singapore	Property investment holding	**100**	100	**6,000**	6,000
Hup Seng Huat Land Pte Ltd@	Singapore	Investment holding property investment holding and logistics services	**100**	100	**1,050**	1,050
Thong Seng Metal Pte Ltd@	Singapore	Hardware trading	**100**	100	**300**	300
Pressure Products Sdn. Bhd.*	Malaysia	Hardware trading	**100**	100	**1,743**	1,743
					9,457	9,457
Held by subsidiary						
Hoe Seng Huat Pte Ltd@	Singapore	Hardware trading and investment holding	**100**	100	20,000	20,000
Sinip Steel Industries (S) Pte Ltd@	Singapore	Dormant	**100**	100	812	812

@ Audited by PricewaterhouseCoopers LLP, Singapore
* Audited by PricewaterhouseCoopers, Kuala Lumpur, Malaysia

20. Loan to a subsidiary

	Company	
	2011	2010
	$'000	$'000
Non-current		
Loan due after 12 months	**36,579**	32,059

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.

21. Investment properties

	Group		Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Cost				
Beginning and end of financial year	**20,628**	20,628	**8,920**	8,920
Accumulated depreciation				
Beginning of financial year	**6,315**	6,191	**2,064**	2,030
Depreciation charge	**125**	124	**34**	34
End of financial year	**6,440**	6,315	**2,098**	2,064
Net book value	**14,188**	14,313	**6,822**	6,856

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

	Group	
	2011	2010
	$'000	$'000
Rental income (Note 4)	**1,177**	872
Direct operating expenses arising from investment properties that generate rental income	**(282)**	(260)

Investment properties are leased to non-related parties under operating leases (Note 32(c)).

As at 30 June 2011, the fair value of investment properties is $31,350,000 (2010: $26,150,000) as determined by independent professional valuers, using the Market Comparison Method.

See Notes 22 (a) and (b) for details relating to investment properties.

22. Property, plant and equipment

	Leasehold land and building	Motor vehicles	Furniture, fittings and equipment	Plant and machinery	Asset under construction	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Group						
2011						
Cost						
Beginning of financial year	24,056	1,432	2,799	2,806	2,695	33,788
Currency translation differences	(99)	(8)	(16)	(3)	-	(126)
Additions	4,426	98	61	666	-	5,251
Disposals	-	(56)	(42)	(233)	-	(331)
Reclassification	2,695	-	-		(2,695)	-
End of financial year	31,078	1,466	2,802	3,236	-	38,582
Accumulated depreciation and impairment losses						
Beginning of financial year	4,645	780	2,177	1,425	-	9,027
Currency translation differences	(11)	(8)	(14)	(2)	-	(35)
Depreciation charge						
- continued operations	994	136	166	285	-	1,581
- discontinued operation	-	-	4	-	-	4
Disposals	-	(56)	(37)	(211)	-	(304)
End of financial year	5,628	852	2,296	1,497	-	10,273
Net book value						
End of financial year	**25,450**	**614**	**506**	**1,739**	**-**	**28,309**

22. Property, plant and equipment (continued)

	Leasehold land and building	Motor vehicles	Furniture, fittings and equipment	Plant and machinery	Asset under construction	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Group						
2010						
Cost						
Beginning of financial year	24,186	1,519	2,804	2,561	-	31,070
Currency translation differences	79	7	14	2	-	102
Additions	-	-	18	243	2,695	2,956
Disposals	(209)	(94)	(37)	-	-	(340)
End of financial year	24,056	1,432	2,799	2,806	2,695	33,788
Accumulated depreciation and impairment losses						
Beginning of financial year	4,165	720	1,933	1,179	-	7,997
Currency translation differences	6	7	13	1	-	27
Depreciation charge						
- continued operations	824	146	260	245	-	1,475
- discontinued operation	-	-	8	-	-	8
Disposals	(14)	(93)	(37)	-	-	(144)
Impairment reversal (Note 6)	(336)	-	-	-	-	(336)
End of financial year	4,645	780	2,177	1,425	-	9,027
Net book value						
End of financial year	19,411	652	622	1,381	2,695	24,761

22. Property, plant and equipment (continued)

	Motor vehicles	Furniture, fittings and equipment	Total
	$'000	$'000	$'000
Company			
2011			
Cost			
Beginning of financial year	129	1,855	1,984
Additions	-	33	33
End of financial year	129	1,888	2,017
Accumulated depreciation			
Beginning of financial year	49	1,508	1,557
Depreciation charge	12	112	124
End of financial year	61	1,620	1,681
Net book value			
End of financial year	**68**	**268**	**336**
2010			
Cost			
Beginning of financial year	216	1,837	2,053
Additions	-	18	18
Disposals	(87)	-	(87)
End of financial year	129	1,855	1,984
Accumulated depreciation			
Beginning of financial year	117	1,301	1,418
Depreciation charge	18	207	225
Disposals	(86)	-	(86)
End of financial year	49	1,508	1,557
Net book value			
End of financial year	80	347	427

22. Property, plant and equipment (continued)

(a) The properties of the Group are as follows:

Description	Location	Floor area square metres	Site area square metres	Tenure	Leasehold Term
Warehouse with 3-storey office block annexe	6 Kim Chuan Drive Singapore #	7,690	3,076	Freehold	-
Warehouse with 5-storey office block annexe	116 Neythal Road Singapore	32,663	29,518	Leasehold	30 years from 2001
Warehouse	155 Gul Circle Singapore	7,091	13,601	Leasehold	30 years from 2010
2- storey shophouse	359 Jalan Besar Singapore	255	142	Freehold	-
2- storey shophouse	365/365A Jalan Besar, Singapore #	327	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	-
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 investment properties

(b) Certain properties comprising freehold land and buildings of the Group and the Company were revalued by the directors in August 1992 based on a valuation carried out by independent professional valuers on the basis of open market value with existing use. The revaluation surplus had been recognised in the asset revaluation reserve account. The Group has no policy on the frequency of valuation of its property, plant and equipment and the valuation in August 1992 was carried out 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.

(c) Property, plant and equipment of the Group with carrying amounts of $nil(2010: $7,959,000) is secured against a term loan of a subsidiary (Note 25).

(d) During the previous financial year, the Group reversed an impairment loss of $336,000 relating to certain leasehold land and building in Singapore (Note 6). The impairment reversal was determined by reference to valuation performed by independent professional valuers using the Market Comparison Method.

23. Goodwill

	Group	
	2011	2010
	$'000	$'000
Goodwill arising on acquisition of business	**4,630**	4,630

Goodwill is allocated to the Group's cash generating unit ("CGU") identified as the hardware operations of its subsidiary, Hoe Seng Huat Pte Ltd.

The recoverable amount of a CGU was determined based on value-in-use. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the hardware business in which the CGU operates.

Key assumptions used for value-in-use calculations:

	2011	**2010**
Gross margin[1]	10 -11%	10 -11%
Growth rate[2]	nil %	nil %
Discount rate[3]	10 %	10 %

1 Budgeted gross margin
2 Weighted average growth rate used to extrapolate cash flows beyond the budget period
3 Pre-tax discount rate applied to the cash flow projections

These assumptions have been used for the analysis of the CGU. Management determined budgeted gross margin based on past performance and its expectations of the market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the business.

24. Trade and other payables

	Group		Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Trade payables				
- Third parties	**13,791**	18,096	**2,124**	531
- Subsidiaries		-	**-**	4,236
Goods and services tax payable	**1,947**	2,210	**345**	344
Other payables	**-**	137	**1,153**	112
Advances received from customers	**333**	3,489	**52**	-
Accrued operating expenses	**3,565**	4,294	**1,901**	1,686
	19,636	28,226	**5,575**	6,909

25. Borrowings

	Group		Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Current				
Term loan	**-**	997	**-**	-
Trust receipts	**15,338**	17,605	**2,470**	905
	15,338	18,602	**2,470**	905
Non-current				
Term loan	**-**	1,731	**-**	-
Total borrowings	**15,338**	20,333	**2,470**	905

Security granted

The term loan of a subsidiary amounting to $nil (2010: $2,728,000) were guaranteed by the Company and is secured on certain property, plant and equipment of the Group (Note 22(c)).

Trust receipts of subsidiaries amounting to $12,868,000 (2010: $16,700,000) are guaranteed by the Company.

26. Provision for directors' retirement gratuity

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

	Group and Company	
	2011	2010
	$'000	$'000
Beginning of the financial year	**1,062**	1,001
Provision made during the financial year	**61**	61
End of the financial year	**1,123**	1,062

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.

27. 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 in the balance sheets as follows:

	Group		Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Deferred income tax assets				
- to be recovered within one year	**(61)**	(72)	**-**	-
Deferred income tax liabilities				
- to be settled within one year	**169**	128	**141**	28
- to be settled after one year	**729**	787	**374**	499
	898	915	**515**	527

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

	Group		Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**843**	772	**527**	571
Currency translation differences	**2**	(1)	**-**	-
Tax (credited)/charged to profit or loss	**(8)**	72	**(12)**	(44)
End of the financial year	**837**	843	**515**	527

27. Deferred income taxes (continued)

The movement in the deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the year are as follows:

Group

Deferred income tax liabilities

	Accelerated tax depreciation	Revaluation	Total
	$'000	$'000	$'000
2011			
Beginning of financial year	446	739	1,185
Currency translation differences	2	-	2
Tax credited to profit or loss	(32)	-	(32)
End of financial year	416	739	1,155
2010			
Beginning of financial year	372	739	1,111
Currency translation differences	(1)	-	(1)
Tax charged to profit or loss	75	-	75
End of financial year	446	739	1,185

Deferred income tax assets

	Provisions	Total
	$'000	$'000
2011		
Beginning of financial year	(342)	(342)
Tax charged to profit or loss	24	24
End of financial year	(318)	(318)
2010		
Beginning of financial year	(339)	(339)
Tax credited to profit or loss	(3)	(3)
End of financial year	(342)	(342)

27. Deferred income taxes (continued)

Company

Deferred income tax liabilities

	Accelerated tax depreciation	Revaluation	Total
	$'000	$'000	$'000
2011			
Beginning of the financial year	54	723	777
Tax credited to profit or loss	(12)	-	(12)
End of the financial year	42	723	765
2010			
Beginning of the financial year	79	723	802
Tax credited to profit or loss	(25)	-	(25)
End of the financial year	54	723	777

Deferred income tax assets

	Provisions	Total
	$'000	$'000
2011		
Beginning and end of the financial year	(250)	(250)
2010		
Beginning of the financial year	(231)	(231)
Tax credited to profit or loss	(19)	(19)
End of the financial year	(250)	(250)

28. Share capital and treasury shares

	No. of ordinary shares		Amount	
	Issued share capital	Treasury shares	Share capital	Treasury shares
	'000	'000	$'000	$'000
Group and Company				
2011				
Beginning of financial year	627,371	(2,803)	107,485	(788)
Treasury shares purchased	-	(1,013)	-	(225)
End of financial year	627,371	(3,816)	107,485	(1,013)
2010				
Beginning of financial year	627,371	-	107,485	-
Treasury shares purchased	-	(2,803)	-	(788)
End of financial year	627,371	(2,803)	107,485	(788)

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.

Treasury shares

The Company acquired 1,013,000 (2010: 2,803,000) of its shares in the open market during the financial year. The total amount paid to acquire the shares was $225,000 (2010: 788,000) and this was presented as a component within shareholder's equity.

29. Other reserves

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
(a) Composition:				
Capital reserves:				
- Asset revaluation reserve (Note 29(b)(i))	**786**	786	707	707
- Goodwill arising from consolidation (Note 29(b)(ii))	**(2,002)**	(2,002)	-	-
	(1,216)	(1,216)	707	707
Currency translation reserve (Note 29(b)(iii))	(821)	(595)	-	-
Fair value reserve (Note 29(b)(iv))	965	942	965	942
	(1,072)	(869)	1,672	1,649
(b) Movements:				
(i) Asset revaluation reserve				
Beginning and end of financial year	**786**	786	**707**	707
(ii) Goodwill arising from consolidation				
Beginning and end of financial year	**(2,002)**	(2,002)	**-**	-
(iii) Currency translation reserve				
Beginning of financial year	**(595)**	(774)	**-**	-
Net currency translation differences of financial statements of foreign subsidiary	**(226)**	179	**-**	-
End of financial year	**(821)**	(595)	**-**	-
(iv) Fair value reserve				
Beginning of financial year	**942**	473	**942**	473
Financial assets, available-for-sale				
- Fair value gains (Note 18)	**23**	469	**23**	469
End of financial year	**965**	942	**965**	942

30. Dividends

	Group and Company	
	2011	2010
	$'000	$'000
Final dividend paid in respect of the previous financial year of 0.5 cent (2010: 1.0 cent) per share	**3,122**	6,269
Interim dividend paid in respect of the current financial year of 0.5 cent (2010: 0.5 cent) per share	**3,122**	3,123
Interim dividend declared in respect of the current financial year of 0.5 cent (2010: nil cent) per share	**3,118**	-
	9,362	9,392

At the Annual General Meeting on 28 October 2011, a final dividend of 0.5 cent per share amounting to a total of $3,116,000 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 2012.

31. Contingent liability

The Company has given a guarantee to a financial institution in respect of credit facilities granted to its subsidiary amounting to $12,868,000 (2010: $19,428,000). The directors are of the view that no losses are expected to arise from the guarantee.

32. Commitments

(a) Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements are as follows:

	Group	
	2011	2010
	$'000	$'000
Property, plant and equipment	**-**	4,832

32. Commitments (continued)

(b) Operating lease commitments - where a group company 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 reporting date but not recognised as liabilities, are as follows:

	Group		Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Not later than one year	**708**	822	**1,234**	1,234
Later than one year but not later than five years	**2,830**	3,157	**-**	1,234
Later than five years	**11,741**	11,886	**-**	-
	15,279	15,865	**1,234**	2,468

(c) Operating lease commitments – where a group company is a lessor

The Group and Company lease out land and building to third parties under non-cancellable operating rights.

The future minimum lease payments receivable under non-cancellable operating leases contracted for at the reporting date but not recognised as receivables, are as follows:

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Not later than one year	**517**	701	320	443
Later than one year but not later than five years	**105**	361	105	307
	622	1,062	425	750

33. Financial risk management

The Group's activities expose it to market risk (including currency risk, interest rate 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.

(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
2011						
Financial Assets						
Cash and cash equivalents	69,827	378	5,621	-	8	75,834
Financial assets, available-for-sale	6,306	-	-	-	-	6,306
Trade and other receivables	49,048	441	1,691	24	-	51,204
	125,181	819	7,312	24	8	133,344
Financial Liabilities						
Borrowings	(3,953)	(11,274)	-	(111)	-	(15,338)
Trade and other payables	(10,032)	(8,574)	(655)	(98)	(277)	(19,636)
	(13,985)	(19,848)	(655)	(209)	(277)	(34,974)
Net financial assets/ (liabilities)	111,196	(19,029)	6,657	(185)	(269)	98,370
Less: Net financial assets denominated in the respective entity's functional currency	(111,196)	-	(6,657)	-	-	(117,853)
Currency exposure	-	(19,029)	-	(185)	(269)	(19,483)

33. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

	SGD	USD	MYR	EURO	OTHER	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000
2010						
Financial Assets						
Cash and cash equivalents	72,086	1,028	4,697	-	3	77,814
Financial assets, available-for-sale	8,783	-	-	-	-	8,783
Trade and other receivables	41,115	11,576	913	185	-	53,789
	121,984	12,604	5,610	185	3	140,386
Financial Liabilities						
Borrowings	(7,540)	(12,484)	-	(309)	-	(20,333)
Trade and other payables	(12,309)	(15,314)	(211)	(244)	(148)	(28,226)
	(19,849)	(27,798)	(211)	(553)	(148)	(48,559)
Net financial assets/ (liabilities)	102,135	(15,194)	5,399	(368)	(145)	91,827
Less: Net financial assets denominated in the respective entity's functional currency	(102,135)	-	(5,399)	-	-	(107,534)
Add : Currency forwards	-	-	-	541	118	659
Currency exposure	-	(15,194)	-	173	(27)	(15,048)

33. 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	TOTAL $'000
2011				
Financial Assets				
Cash and cash equivalents	44,061	95	7	44,163
Financial assets, available-for-sale	6,306	-	-	6,306
Trade and other receivables	15,701	346	24	16,071
	66,068	441	31	66,540
Financial Liabilities				
Borrowings	(816)	(1,544)	(110)	(2,470)
Trade and other payables	(3,921)	(1,654)	-	(5,575)
	(4,737)	(3,198)	(110)	(8,045)
Net financial assets/(liabilities)	61,331	(2,757)	(79)	58,495
Less: Net financial assets denominated in the Company's functional currency	(61,331)	-	-	(61,331)
Currency exposure	-	(2,757)	(79)	(2,836)
2010				
Financial Assets				
Cash and cash equivalents	49,308	514	-	49,822
Financial assets, available-for-sale	8,783	-	-	8,783
Trade and other receivables	11,887	1,155	180	13,222
	69,978	1,669	180	71,827
Financial Liabilities				
Borrowings	(266)	(330)	(309)	(905)
Trade and other payables	(6,580)	(195)	(134)	(6,909)
	(6,846)	(525)	(443)	(7,814)
Net financial assets/(liabilities)	63,132	1,144	(263)	64,013
Less: Net financial assets denominated in the Company's functional currency	(63,132)	-	-	(63,132)
Add : Currency forwards	-	-	323	323
Currency exposure	-	1,144	60	1,204

33. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

If the USD and Euro change against the SGD by 10% (2010: 10%) 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)	
	2011	2010
	Profit after tax	Profit after tax
	S$'000	S$'000
Group		
USD against SGD		
- strengthened	**(1,579)**	(1,261)
- weakened	**1,579**	1,261
EURO against SGD		
- strengthened	**(15)**	14
- weakened	**15**	(14)
Company		
USD against SGD		
- strengthened	**(229)**	95
- weakened	**229**	(95)
EURO against SGD		
- strengthened	**(7)**	5
- weakened	**7**	(5)

33. Financial risk management (continued)

(a) Market risk (continued)

(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.

If prices for the equity securities and debt securities change by 20% and 5% (2010: 10% and 10%) respectively with all other variables including tax rates being held constant, the effects on other comprehensive income will be:

	Increase/(Decrease) Other comprehensive income	
	2011	2010
	$'000	$'000
Group and Company		
Equity securities		
Increased by	**229**	103
Decreased by	**(229)**	(103)
Debt securities		
Increased by	**258**	775
Decreased by	**(258)**	(775)

(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 SGD fixed-rate corporate bonds.

The Group's and Company's exposure to cashflow interest rate risks arises mainly from its variable rate borrowings. Variable rate borrowings make up 100% (2010: 100%) of the Group's borrowings which arises mainly from non-current borrowings and trust receipts. The Group and Company manage these cash flow interest rate risks by utilising trust receipts from reputable financial institutions with the most competitive interest rates.

The Group and Company are exposed to insignificant fair value interest rate risks arising mainly from its SGD fixed-rate corporate bonds.

The Group's and Company's borrowings at variable rates on which hedges have not been entered into, are denominated mainly in SGD and USD. If the SGD and USD interest rates were higher/lower by 1% (2010: 0.5%) during the financial year with all other variables including tax rates being held constant, the profit after tax of the Group and Company will be lower/higher by $142,000 (2010: $35,000) and $10,000 (2010: $4,000) respectively as a result of higher/lower interest expense on these borrowings.

33. Financial risk management (continued)

(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.

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, except as follows:

	Company	
	2011	2010
	$'000	$'000
Corporate guarantees provided to banks on subsidiaries' borrowings	**12,868**	19,428

The trade receivables of the Group and of the Company comprise 6 debtors (2010: 5 debtors) and 1 debtors (2010: 4 debtors) respectively that individually represented 3 – 11% 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	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Past due < 3 months	**23,627**	15,432	2,815	2,966
Past due 3 to 6 months	**1,717**	1,370	178	75
Past due over 6 months	**799**	674	48	60
	26,144	17,476	3,041	3,101

33. 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	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Gross amount	**820**	288	**15**	49
Less: Allowance for impairment	**(820)**	(288)	**(15)**	(49)
	-	-	**-**	-
Beginning of financial year	**288**	106	**49**	-
Currency translation difference	**(3)**	5	**-**	-
Allowance made	**617**	194	**-**	49
Write-back of allowance	**(41)**	(17)	**(42)**	-
Allowance utilised	**(41)**	-	**8**	-
End of financial year	**820**	288	**15**	49

The impaired trade receivables arise mainly from sales to specific customers which have defaulted on payment due to going concern issues. The Group has since ceased sales to these customers.

33. Financial risk management (continued)

(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	Between 1 and 2 years $'000	Between 2 and 5 years $'000
Group			
At 30 June 2011			
Trade and other payables	19,636	-	-
Borrowings	15,338	-	-
At 30 June 2010			
Trade and other payables	28,226	-	-
Borrowings	18,652	1,020	750
Company			
At 30 June 2011			
Trade and other payables	5,575	-	-
Borrowings	2,470	-	-
At 30 June 2010			
Trade and other payables	6,909	-	-
Borrowings	905	-	-

33. Financial risk management (continued)

(c) Liquidity risk (continued)

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 2010	
Gross-settled currency forwards	
- Receipts	659
- Payments	(696)

	Less than 1 year $'000
Company	
At 30 June 2010	
Gross-settled currency forwards	
- Receipts	323
- Payments	(333)

The Group and Company did not enter into any derivative financial instrument contracts as at 30 June 2011.

(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 end 30 June 2010 and 2011.

The Group is not subject to any externally imposed capital requirement.

33. Financial risk management (continued)

(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); and

(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)

Group	Level 1 $'000	Level 2 $'000	Total $'000
2011			
Assets			
Financial assets, available-for-sale	6,306	-	6,306
2010			
Assets			
Financial assets, available-for-sale	8,783	-	8,783
Liabilities			
Derivative financial instruments	-	37	37

Company	Level 1 $'000	Level 2 $'000	Total $'000
2011			
Assets			
Financial assets, available-for-sale	6,306	-	6,306
2010			
Assets			
Financial assets, available-for-sale	8,783	-	8,783
Liabilities			
Derivative financial instruments	-	10	10

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 make 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.

33. Financial risk management (continued)

(f) Financial instrument by category

The carrying amount of the different categories of financial instruments as at follows:

	Group		Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Financial assets, available for sale	**6,306**	8,783	**6,306**	8,783
Loans and receivables	**127,038**	131,603	**96,813**	95,103
Financial liabilities at amortised cost	**38,032**	49,621	**9168**	8,876
Derivative financial instruments	**-**	37	**-**	10

34. 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

	Group		Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
With subsidiaries :				
Sale of finished goods	**-**	-	**6,152**	5,984
Purchases of finished goods	**-**	-	**(136)**	(719)
Logistics expenses	**-**	-	**(852)**	(1,126)
Management fee income	**-**	-	**121**	121
Rental expenses	**-**	-	**(1,234)**	(1,234)
With companies in which certain directors of the Company have substantial financial interests:				
Management fees paid	**73**	73	**-**	-

34. Related party transactions (continued)

(b) Key management personnel compensation

Key management personnel compensation is as follows:

	Group		Company	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Salaries and other short-term employee benefits	**3,642**	3,841	**2,997**	3,276
Employer's contribution to defined contribution plans, including Central Provident Fund	**136**	125	**97**	96
Retirement gratuity	**61**	61	**61**	61
	3,839	4,027	**3,155**	3,433

Included in above, total compensation to directors of the Group and Company amounted to $2,672,000 and $2,313,000 respectively (2010: $2,863,000 and $2,603,000).

35. 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.

The geographical information are as follows:

Singapore - the Company is headquartered and has operations in Singapore. The operations in this area are hardware trading and property investment.

Malaysia - the operations in this area are principally hardware trading.

The business information are as follows:

Hardware trading - sale of industrial hardware products

Property investment - rental of properties

The segment information has been compiled using a consistent basis. The division of the Group's revenue, results and assets and liabilities into geographical and business segments has been ascertained by reference to direct identification to each particular segment. Inter-segment transactions are determined on an arm's length basis.

35. Segment information (continued)

Geographical information

Continuing operation

	Singapore $'000	Malaysia $'000	Total $'000
Financial year ended 30 June 2011			
Revenue			
Total revenue	187,198	3,485	190,683
Inter-segment sales	(1,244)	-	(1,244)
External sales	185,954	3,485	189,439
Segment result	11,294	(219)	11,075
Finance income			410
Income tax expense			(1,896)
Profit after tax			9,589
Segment assets	236,433	10,075	246,508
Segment liabilities	20,679	80	20,759
Tax liabilities			2,833
Borrowings			15,338
Total liabilities			38,930
Other segment items			
Capital expenditure	5,251	-	5,251
Depreciation of investment properties and property, plant and equipment	1,585	125	1,710

35. Segment information (continued)

Geographical information (continued)

Continuing operation (continued)

	Singapore $'000	Malaysia $'000	Total $'000
Financial year ended 30 June 2010			
Revenue			
Total revenue	175,246	2,909	178,155
Inter-segment sales	(1,482)	-	(1,482)
External sales	173,764	2,909	176,673
Segment result	12,410	107	12,517
Finance income			9
Income tax expense			(1,995)
Profit after tax			10,531
Segment assets	245,349	8,789	254,138
Segment liabilities	29,170	227	29,397
Tax liabilities			2,738
Borrowings			20,333
Total liabilities			52,468
Other segment items			
Capital expenditure	2,956	-	2,956
Depreciation of investment properties and property, plant and equipment	1,573	34	1,607

35. Segment information (continued)

Revenue from sales to external customers based on location of customers for each customer-based geographical information is as follows:

	2011	2010
	$'000	$'000
Singapore	**138,685**	140,142
Malaysia	**22,369**	12,409
Other South East Asian countries	**21,877**	16,245
Other countries	**6,508**	7,877
	189,439	176,673

Business information

	Hardware	Property investment	Total
	$'000	$'000	$'000
Financial year ended 30 June 2011			
REVENUE			
External sales	188,316	1,123	189,439
OTHER INFORMATION			
Total assets	231,204	15,304	246,508
Capital expenditure	5,251	-	5,251
Financial year ended 30 June 2010			
REVENUE			
External sales	175,674	999	176,673
OTHER INFORMATION			
Total assets	239,067	15,071	254,138
Capital expenditure	261	2,695	2,956

36. 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 July 2011 or later periods and which the Group has not early adopted:

- Amendments to FRS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2011)
- Amendments to FRS 24 Related party disclosures (effective for annual periods beginning on or after 1 January 2011)
- Amendments to FRS 34 Interim Financial Reporting (effective for annual periods beginning on or after 1 January 2011)
- Amendments to FRS 107 Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 January 2011)

The management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in the future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

37. 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 30 September 2011.

STATISTICS OF SHAREHOLDINGS AS AT 21 SEPTEMBER 2011

Issued and fully paid-up capital	:	$107,485,000.00
No. of Ordinary shares	:	623,215,610
Class of shares	:	Ordinary share fully paid with equal voting rights
Voting rights	:	One vote per share
No. of Treasury Shares	:	4,155,000

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	486	5.59	141,232	0.02
1,000 - 10,000	4,564	52.50	21,390,518	3.43
10,001 - 1,000,000	3,601	41.43	169,001,872	27.12
1,000,001 and above	42	0.48	432,681,988	69.43
TOTAL	**8,693**	**100.00**	**623,215,610**	**100.00**

Twenty Largest Shareholders

No.	Name	No. of Shares	%
1.	Hennfa Investments Pte Ltd	93,015,000	14.93
2.	Lim Puay Koon	36,202,500	5.81
3.	Lim Boh Chuan	36,200,250	5.81
4.	Lim Kim Thor	34,404,900	5.52
5.	Lim Yee Kim	32,379,750	5.20
6.	Lim Kim Hock	32,047,650	5.14
7.	Lim Eng Chong	22,602,150	3.63
8.	United Overseas Bank Nominees (Pte) Ltd	16,899,560	2.71
9.	Lim Beo Peng	13,403,550	2.15
10.	Lim Kok Seng	8,324,175	1.34
11.	Lim Han Leong	8,187,675	1.31
12.	Citibank Nominees S'pore Pte Ltd	7,913,332	1.27
13.	Tan Lean Choo	7,302,825	1.17
14.	Kim Seng Holdings Pte Ltd	6,646,250	1.07
15.	Phillip Securities Pte Ltd	6,596,041	1.06
16.	Kim Eng Securities Pte. Ltd.	5,482,880	0.88
17.	DBS Nominees Pte Ltd	5,280,265	0.85
18.	Koh Boon Hwee	5,000,000	0.80
19.	Lim Kim San	4,855,900	0.78
20.	Lim Beo Loon Stanley	3,668,400	0.59
	TOTAL:	**386,413,053**	**62.02**

As at 21 September 2011

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

Name of Substantial Shareholder	Direct Interest	%	Deemed Interest	%
Hennfa Investments Pte Ltd[3]	93,015,000	14.93	-	-
Lim Puay Koon [1] [2]	36,202,500	5.81	93,015,000	14.93
Lim Boh Chuan [1] [2]	36,200,250	5.81	93,015,000	14.93
Lim Yee Kim [2]	32,379,750	5.20	93,015,000	14.93
Lim Kim Thor [2] [3]	34,404,900	5.52	93,195,000	14.95
Lim Kim Hock [2] [3]	32,047,650	5.14	93,015,000	14.93
Lim Eng Chong [2] [3]	22,602,150	3.63	93,015,000	14.93
Yee Kim Holdings Pte. Ltd. [2]	-	-	93,015,000	14.93
Pey Choi [2]	-	-	93,015,000	14.93

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

Based on the information available to the Company as at 21 September 2011, approximately 45.66% of the issued ordinary shares of the Company are held by the public and therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited has been complied with.

NOTICE OF EIGHTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eighteenth Annual General Meeting of HUPSTEEL LIMITED ("the Company") will be held at 116 Neythal Road Singapore 628603 on Friday, 28 October 2011 at 2.30 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the financial year ended 30 June 2011 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a one-tier tax-exempt final dividend of 0.5 Singapore cent per share for the financial year ended 30 June 2011 (2010: 0.5 Singapore cent per share). **(Resolution 2)**

3. To re-elect the following Directors of the Company retiring pursuant to Article 88 of the Articles of Association of the Company:

   Mr Lim Eng Chong **(Resolution 3)**
   Mr Chan Kam Loon, Philip **(Resolution 4)**

   Mr Lim Eng Chong will, upon re-election as a Director of the Company, remain as a member of the Nominating and Remuneration Committees and will be considered non-independent.

   Mr Chan Kam Loon, Philip will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee and a member of the Remuneration Committee and will be considered independent.

4. To re-appoint PricewaterhouseCoopers LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 5)**

5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

6. **Payment of directors' fees for the financial year ending 30 June 2012**

   That the Directors' fees of S$251,112 for the financial year ending 30 June 2012 be approved and payable quarterly in arrears (2011: S$256,000). **(Resolution 6)**

7. **Authority to issue shares**

   That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors of the Company be authorised and empowered to:

   (a) (i) issue shares in 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,

   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 not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) 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) 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 issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) 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 Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Articles of Association of the Company; and

(4) unless revoked or varied by the Company in a 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 earlier.

[See Explanatory Note (i)] **(Resolution 7)**

8. **Renewal of Share Buyback Mandate**

That:-

(1) for the purposes of Sections 76C and 76E of the Companies Act, Cap. 50 (the "**Act**"), the Directors of the Company be and are hereby authorised to make purchases or otherwise acquire issued shares in the capital of the Company 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 (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Act ("**Off-Market Purchase**"),

and otherwise in accordance with all other laws regulations and rules of the SGX-ST as may for the time being applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Buyback 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 any Shares which are held as treasury shares 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) not exceeding:-

(i) in the case of a Market Purchase, 105% of the Average Closing Price of the Shares; and
(ii) in the case of an Off-Market Purchase, 120% of the Average Closing Price of the Shares;

"**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-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) 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) as they and/or he may consider expedient or necessary or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution.

[See Explanatory Note (ii)] **(Resolution 8)**

By Order of the Board

Tan Cher Liang
Secretary
13 October 2011

Explanatory Notes:

(i) The Ordinary Resolution 7 in item 7 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 or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

(ii) The Ordinary Resolution 8 proposed in item 8 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 repurchase 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) in the capital of the Company at the Maximum Price as defined in the Resolution. 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 Share Buyback Mandate on the audited consolidated financial accounts of the Group for the financial year ended 30 June 2011 are set out in greater detail in Appendix A attached.

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

Note: Transport by company vans to the AGM venue will be provided. Company vans will leave the bus stop in front of Lakeside MRT at 2.00 pm sharp on 28 October 2011 and return to the same MRT station at 4.00 pm.

HUPSTEEL LIMITED

Company Registration No. 197301452D
(Incorporated In The Republic of Singapore)

IMPORTANT:

1. For investors who have used their CPF monies to buy HUPSTEEL LIMITED's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, _____

of _____

being a member/members of HUPSTEEL LIMITED (the "Company"), hereby appoint:

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

and/or (delete as appropriate)

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

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 vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on Friday, 28 October 2011 at 2.30 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [√] within the box provided.)

No.	**Resolutions relating to:**	**For**	**Against**
1.	Directors' Report and Audited Accounts for the financial year ended 30 June 2011		
2.	Payment of proposed one-tier tax-exempt final dividend		
3.	Re-election of Mr Lim Eng Chong as a Director		
4.	Re-election of Mr Chan Kam Loon, Philip as a Director		
5.	Re-appointment of PricewaterhouseCoopers LLP as Auditors		
6.	Approval of Directors' fees amounting to S$251,112 for the financial year ending 30 June 2012		
7.	Authority to issue new shares		
8.	Renewal of Share Buyback Mandate		

Dated this _____ day of _____ 2011

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

_____

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

*Delete where inapplicable

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending 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.

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623 not less than forty-eight (48) hours before the time appointed for 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 seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

7. 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.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.