HUPSteel Limited
HALF-YEAR FINANCIAL STATEMENT (UNAUDITED)

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

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

The following figures have not been audited.

	GROUP (S$'000)					
	2Q FY16	2Q FY15	% +/(-)	1H FY16	1H FY15	% +/(-)
Revenue	16,603	23,755	-30%	31,923	45,950	-31%
Changes in inventories*	(1,075)	393	NM	(11,834)	(4,935)	140%
Purchases of inventories	(12,334)	(20,444)	-40%	(18,944)	(32,798)	-42%
Gross profit	3,194	3,704	-14%	1,145	8,217	-86%
Other gains/(losses) - net	87	128	-32%	(963)	132	NM
Other operating income	338	353	-4%	736	680	8%
Staff cost	(1,975)	(1,675)	18%	(3,885)	(3,758)	3%
Depreciation	(512)	(413)	24%	(952)	(838)	14%
Other operating expenses	(1,384)	(1,457)	-5%	(2,519)	(2,910)	-13%
Finance cost - net	(16)	(58)	-72%	(17)	(55)	-69%
(Loss)/Profit before tax	(268)	582	NM	(6,455)	1,468	NM
Income tax credit/(expense)	20	(103)	NM	(15)	(250)	-94%
Total (loss)/profit	(248)	479	NM	(6,470)	1,218	NM
Other comprehensive (loss)/income :						
Currency translation differences arising from consolidation	(149)	(138)	8%	(469)	(129)	264%
Available-for-sale financial assets						
- Fair value gains/(losses)	209	51	310%	(385)	52	NM
- Reclassification	(43)	(314)	-86%	42	(319)	-113%
Total comprehensive (loss)/income	(231)	78	NM	(7,282)	822	NM
(Loss)/profit attributable to Equity holders of the Company	(248)	479	NM	(6,470)	1,218	NM
Total comprehensive (loss)/income attributable to Equity holders of the Company	(231)	78	NM	(7,282)	822	NM
(Loss)/Earnings per share based on (loss)/profit attributable to equity shareholders:						
- Basic (cent) - see section 6	(0.04)	0.08		(1.05)	0.20	
- Diluted (cent) - see section 6	(0.04)	0.08		(1.05)	0.20	

*Note - *: Included provision for inventory write-down of $5.2M for 1QFY16*

NM : not meaningful

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

	GROUP (S$'000)			
	2Q FY16	2Q FY15	1H FY16	1H FY15
Dividend income	41	13	89	40
Interest income	248	298	516	580
Reclassification from other comprehensive income on disposal of available-for-sale financial assets	43	314	54	319
Impairment of available-for-sale financial assets	-	-	(96)	-
Foreign exchange gain/(loss)	44	(186)	(921)	(187)
Finance cost-net is made up of :				
Interest expense	-	(2)	(1)	(2)
Foreign exchange (loss)/gain arising from borrowings	(16)	(56)	(16)	(53)
Provision for slow moving stocks	(32)	-	(5,239)	-
Bad debts recovered	34	-	57	-

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

	GROUP		COMPANY	
	31.12.2015	30.06.2015	31.12.2015	30.06.2015
	$'000	$'000	$'000	$'000
Current Assets				
Cash and cash equivalents	49,884	44,279	14,215	8,467
Trade and other receivables	22,691	25,314	5,318	7,309
Inventories	33,192	45,026	18,355	22,286
Other current assets	250	188	120	90
Tax recoverable	5	33	-	30
Due from subsidiaries	-	-	6,454	8,988
	106,022	114,840	44,462	47,170
Non-Current Assets				
Available-for-sale financial assets	20,148	20,677	20,148	20,677
Investment in club membership	34	43	-	-
Investment in subsidiaries	-	-	9,457	9,457
Loan to a subsidiary	-	-	28,946	28,829
Property, plant and equipment	22,165	23,031	151	170
Investment properties	35,164	34,130	28,203	27,127
Deferred income tax assets	649	649	356	356
Other receivables	-	32	-	32
	78,160	78,562	87,261	86,648
Total Assets	**184,182**	**193,402**	**131,723**	**133,818**
Current Liabilities				
Trade and other payables	5,136	6,479	2,432	2,748
Current income tax liabilities	10	5	-	-
Due to a subsidiary	-	-	1,153	1,439
Borrowings	312	408	312	408
	5,458	6,892	3,897	4,595
Non-Current Liability				
Provision for directors' retirement gratuity	598	485	598	485
	598	485	598	485
Total Liabilities	**6,056**	**7,377**	**4,495**	**5,080**
Net Assets	**178,126**	**186,025**	**127,228**	**128,738**
Share capital and reserves				
Share capital	107,485	107,485	107,485	107,485
Treasury shares	(2,498)	(2,498)	(2,498)	(2,498)
Capital reserves	(477)	(477)	1,430	1,430
Currency translation reserves	(1,770)	(1,301)	-	-
Fair value reserves	(211)	132	(211)	132
Retained profits	75,597	82,684	21,022	22,189
	178,126	**186,025**	**127,228**	**128,738**

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

Amount repayable in one year or less, or on demand ('000)

As at 31.12.2015		As at 30.6.2015	
Secured	Unsecured	Secured	Unsecured
-	312	-	408

Amount repayable after one year ('000)

As at 31.12.2015		As at 30.6.2015	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral

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

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

	Group (S$'000)			
	2Q FY16	2Q FY15	1H FY16	1H FY15
Cash flow from operating activities				
Total (loss)/profit	(248)	479	(6,470)	1,218
Adjustments for:				
-Income tax credit/(expense)	(20)	103	15	250
- Property, plant and equipment and investment properties				
- Depreciation	512	413	952	838
- Available-for-sale financial assets				
- Reclassification from other comprehensive income on disposal	(43)	(314)	(54)	(319)
- Impairment	-	-	96	-
- Interest income	(248)	(298)	(516)	(580)
- Interest expense	-	2	1	2
- Dividend income	(41)	(13)	(89)	(40)
	(88)	372	(6,065)	1,369
Change in working capital				
- Trade and other receivables	259	1,237	2,655	4,907
- Inventories	1,075	(393)	11,834	4,935
- Other current assets	40	(47)	(62)	(133)
- Trade and other payables	(340)	(269)	(1,343)	(7,413)
- Provision for director retirement gratuity	101	11	113	23
Cash generated from operations	1,047	911	7,132	3,688
Income tax refund/(paid)	13	(340)	18	(371)
Interest received	248	298	516	580
Net cash provided by operating activities	**1,308**	**869**	**7,666**	**3,897**
Cash flows from investing activities				
Property, plant & equipment and investment properties				
- Purchases	(21)	(2,376)	(1,120)	(5,046)
Available-for-sale financial assets				
- Purchases	(297)	(823)	(782)	(1,381)
- Proceeds from disposal	585	859	935	1,081
Dividends received	41	13	89	40
Net cash provided by/(used in) investing activities	**308**	**(2,327)**	**(878)**	**(5,306)**
Cash flows from financing activities				
Proceeds from trust receipts	1,698	4,510	2,669	7,351
Repayment of trust receipts	(1,386)	(4,413)	(2,765)	(7,013)
Dividend paid to shareholders	(617)	-	(617)	-
Interest paid	-	(2)	(1)	(2)
Net cash (used in)/provided by financing activities	**(305)**	**95**	**(714)**	**336**
Net increase/(decrease) in cash and cash equivalents	**1,311**	**(1,363)**	**6,074**	**(1,073)**
Cash and cash equivalents at beginning of the financial period	48,731	50,328	44,279	50,029
Effects of currency translation on cash and cash equivalents	(158)	(138)	(469)	(129)
Cash and cash equivalents at end of the financial period	**49,884**	**48,827**	**49,884**	**48,827**

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

	Share Capital	Treasury Shares	Capital Reserves	Currency Translation Reserves	Fair Value Reserves	Retained Profits	Total Equity
Group	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2015	107,485	(2,498)	(477)	(1,301)	132	82,684	186,025
Total comprehensive loss for 1st quarter	-	-	-	(320)	(509)	(6,222)	(7,051)
At 30 September 2015	107,485	(2,498)	(477)	(1,621)	(377)	76,462	178,974
Dividend paid	-	-	-	-	-	(617)	(617)
Total comprehensive (loss)/income for 2nd quarter	-	-	-	(149)	166	(248)	(231)
At 31 December 2015	**107,485**	**(2,498)**	**(477)**	**(1,770)**	**(211)**	**75,597**	**178,126**
Group							
At 1 July 2014	107,485	(2,498)	(477)	(990)	603	96,802	200,925
Total comprehensive income/(loss) for 1st quarter	-	-	-	9	(4)	739	744
At 30 September 2014	107,485	(2,498)	(477)	(981)	599	97,541	201,669
Total comprehensive (loss)/income for 2nd quarter	-	-	-	(138)	(263)	479	78
At 31 December 2014	**107,485**	**(2,498)**	**(477)**	**(1,119)**	**336**	**98,020**	**201,747**

	Share Capital	Treasury Shares	Capital Reserves	Currency Translation Reserves	Fair Value Reserves	Retained Profits	Total Equity
Company	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2015	107,485	(2,498)	1,430	-	132	22,189	128,738
Total comprehensive (loss)/income for 1st quarter	-	-	-	-	(509)	34	(475)
At 30 September 2015	107,485	(2,498)	1,430	-	(377)	22,223	128,263
Dividend paid	-	-	-	-	-	(617)	(617)
Total comprehensive (loss)/income for 2nd quarter	-	-	-	-	166	(584)	(418)
At 31 December 2015	**107,485**	**(2,498)**	**1,430**	**-**	**(211)**	**21,022**	**127,228**
Company							
At 1 July 2014	107,485	(2,498)	1,430	-	603	27,449	134,469
Total comprehensive (loss)/income for 1st quarter	-	-	-	-	(4)	623	619
At 30 September 2014	107,485	(2,498)	1,430	-	599	28,072	135,088
Total comprehensive (loss)/income for 2nd quarter	-	-	-	-	(263)	717	454
At 31 December 2014	**107,485**	**(2,498)**	**1,430**	**-**	**336**	**28,789**	**135,542**

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

Treasury Shares	No. of shares	$'000
Balance as at 30 Jun 2015	10,593,000	2,498
Purchases	-	-
Balance as at 31 Dec 2015	10,593,000	2,498

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

	31.12.15	30.06.15
Number of shares in issue excluding treasury shares	616,777,610	616,777,610

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

None of the above has occurred since the end of the previous period reported on.

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

The figures have not been audited nor reviewed.

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

Not applicable as the figures have not been audited nor reviewed.

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

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

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

Not applicable.

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

	GROUP			
	3 months ended 31.12.15 (note 1)	3 months ended 31.12.14	6 months ended 31.12.15 (note 1)	6 months ended 31.12.14
Earnings per share based on profit attributable to equity shareholders:				
(a) Basic (cent)	(0.04)	0.08	(1.05)	0.20
(b) Diluted (cent)	(0.04)	0.08	(1.05)	0.20

Note 1 : The basic and diluted earnings per share is calculated based on the weighted average number of ordinary shares of 616,777,610 (31.12.14: 616,777,610) in issue during the period.

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

	GROUP		COMPANY	
	31.12.15	30.06.15	31.12.15	30.06.15
Net Asset Value per ordinary share (cents)	28.88	30.16	20.63	20.87

The net asset value per ordinary share is calculated based on the number of ordinary shares in issue of 616,777,610 at the end of the period (30.06.15: 616,777,610).

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

Revenue and margin

			$'000		
	2QFY16	***1QFY16***	***2QFY15***	***1HFY16***	***1HFY15***
Revenue	16,603	15,320	23,755	31,923	45,950
Gross Profit	3,194	(2,049)	3,704	1,145	8,217
GP %	*19.2%*	*-13.4%*	*15.6%*	*3.6%*	*17.9%*

Revenue for 2QFY16 rose slightly by 8% to $16.6M from $15.3M in 1QFY16. However when compared year-on-year, quarterly revenue fell 30% compared with 2QFY15 revenue of $23.8M. This was mainly attributed to slowdown in the marine industry.

The lower revenue for 2QFY16 of $16.6M compared with $23.8M in 2QFY15 also resulted in lower gross profit of $3.2M for the reporting quarter compared with $3.7M for 2QFY15.

Revenue for 1HFY16 declined 31% to $31.9M when compared with the reported revenue of $46.0M for 1HFY15 as a result of dwindling demand for steel products by customers, in particular, from marine, oil and gas sectors. These customers had been affected by fewer orders and falling oil prices had further suppressed activities. Stiff competition also resulted in further downward pressure on selling prices.

Gross profit for 2QFY16 of $3.2M was lower than $3.7M reported for 2QFY15 mainly due to weaker sales. The gross profit for 1HFY16 of $1.1M was substantially lower than $8.2M reported for 1HFY15 due to an inventory write off $5.2M in 1QFY16 which was accounted as part of the cost of goods sold.

Gross profit margin for the quarter improved to 19.2% (1QFY16:-13.4%) from 15.6% in 2QFY15 mainly due to sale of some of the stock whose values were written down in the previous quarter . However, the Group reported lower gross profit margin of 3.6% in 1HFY16 as compared with 17.9% for 1HFY15 due to the write down of inventories mentioned earlier.

Other gains/(losses)

Other gains for 2QFY16 was $87K as compared to other gains of $128K in 2QFY15. These comprised a foreign exchange gain of $44K (2QFY15: $186K loss) and a gain on disposal of available-for-sale financial assets of $43 (2QFY15 : $314K). Other losses for 1HFY16 of 963K (1HFY15: 132K gains) were mainly made up of foreign exchange losses.

Other operating income

Other operating income for 2QFY16 of $338K was slightly lower than last year's corresponding quarter of $353K mainly due to lower interest income earned.

Staff cost, Depreciation, Other operating expenses and Finance cost

Staff cost of $2.0M for 2QFY16 was higher than 2QFY15 of $1.7M as there was a reversal of an overprovision in incentives in 2QFY15.

Depreciation increased from $413K in 2QFY15 to $512K in 2QFY16 as construction at 6 Kim Chuan Drive had been completed and was subjected to depreciation.

The other operating expenses decreased to $1.4M (2QFY16) from $1.5M (2QFY15) in tandem with the lower sales volume.

Finance cost-net in 2QFY16 was made up of exchange loss of $16K (2QFY15: $56K) arising from borrowings. There was no interest expense for 2QFY16 (2QFY15: $2K).

Profit attributable to equity holders of the Company

The Group incurred a net loss of $248K (2QFY15: $479K profit) in tandem with the lower revenue and gross profits reported.

REVIEW OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

Non current assets

The slight decrease in available-for-sale financial assets to $20.1M (4QFY15: $20.7M) was due to a fall in the market price of marketable bonds and equities.

Investment properties rose to $35.2M from $34.1M in 4QFY15 with the completion of the construction of the Group's industrial building located at 6 Kim Chuan Drive.

Current assets and current liabilities

During the period, trade and other receivables fell to $22.7M from $25.3M (4QFY15) in tandem with the decreased turnover and continued effort on collecting debts.

Inventories decreased to $33.2M from $45.0M (4QFY15) as the Group took another write-down of its inventory values in 1QFY16 ($5.2M), continued to sell from its inventory holding and scaled down purchases.

Trade and other payables declined significantly to $5.1M from $6.5M (4QFY15) as the Group purchased fewer inventories during the period and utilised its cash reserves to pay down its liabilities as they fall due.

Borrowings as at the end of 1HFY16 and 4QFY15 amounted to $312K and $408K respectively. These borrowings were due mainly to an utilisation of trust receipt facilities for the purchase of inventory.

The Group continued to post a healthy level of current ratio of 19.4 times (4QFY15: 16.7 times).

Share capital and reserves

Fair value reserves stands at a debit balance of $211K as at 2QFY16 (4QFY15: credit balance of $132K) due to lower market values of the Group's available-for-sale financial assets.

The Group completed its exercise to consolidate 5 existing shares into 1 share on 8 January 2016.

Cash flow

During the quarter, the Group received positive cash inflow of $1.3M (2QFY15: $0.9M) from its operations and $0.3M (2QFY15: $2.3M outflow) from its investing activities and a net cash outflow from financing activities of $0.3M (2QFY15: $0.1M inflow). These had resulted in an increase of $1.3M (2QFY15: $1.4M outflow) in cash & cash equivalents.

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

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

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

With oil prices continue falling and reaching recent historic lows, activities in the oil & gas and related marine industries have been hit hard. This has resulted in poor demand for the Group's structural steel products, pipes and fittings. The conditions giving rise to low demand are expected to persist in the mid term. Competition is expected to remain intense as demand continues to weaken.

The recent hike in US interest rate and the strengthening US dollar are expected to drive up business costs. Although mill prices have been softening, the lower steel prices are not expected to drive up demand in the light of the global slowdown in economic activities caused by the collapse in oil prices.

Group revenue is not likely to pick up due to the traditional lull period around the Chinese New Year holidays and as the global economy remains weak, the Group expects trading environment to remain challenging for the rest of the calendar year. The Group will take steps to streamline operation and manage costs. It is also actively seeking out suitable opportunities for future growth. However, in the short term, it will find difficulties in returning to profitability amidst the dimmer global economic outlook.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? No

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

Not applicable.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

There was no IPT transaction for the quarter and the Group does not have any general mandate from shareholders pursuant to Rule 920.

BY ORDER OF THE BOARD
Susie Low
Company Secretary
3 February 2016

Confirmation by the Board pursuant to Rule 705(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

We, Lim Kim Thor and Lim Boh Chuan being two directors of HUPSteel Limited ("the Company"), do hereby confirm on behalf of the Directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the 2QFY16 financial results to be false or misleading in any material aspects.

On behalf of the Board of Directors

Lim Kim Thor
Co-CEO
3 February 2016

Lim Boh Chuan
Co-CEO