HUPSTEEL LIMITED
FIRST QUARTER FINANCIAL STATEMENT (UNAUDITED)

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

1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income for the corresponding period of the immediately preceding financial year

The following figures have not been audited or reviewed.

	GROUP (S$'000)		
	1QFY16 30.09.15	1QFY15 30.09.14	% +/(-)
Revenue	15,320	22,195	-31%
Changes in inventories*	(10,759)	(5,328)	102%
Purchases of inventories	(6,610)	(12,354)	-46%
Gross (loss)/profit	(2,049)	4,513	NM
Other (losses)/gains - net	(1,050)	4	NM
Other operating income	398	327	22%
Staff cost	(1,910)	(2,083)	-8%
Depreciation	(440)	(425)	4%
Other operating expenses	(1,135)	(1,453)	-22%
Finance cost - net	(1)	3	NM
(Loss)/profit before tax	(6,187)	886	NM
Income tax expense	(35)	(147)	-76%
Total (loss)/profit	(6,222)	739	NM
Other comprehensive (loss)/income:			
Currency translation differences arising from consolidation	(320)	9	NM
Available-for-sale financial assets			
- Fair value (losses)/gains	(402)	1	NM
- Reclassification	(11)	(5)	120%
Total comprehensive (loss)/income	(6,955)	744	NM
(Loss)/profit attributable to Equity holders of the Company	(6,222)	739	NM
Total comprehensive (loss)/income attributable to Equity holders of the Company	(6,955)	744	NM
Earnings per share based on profit attributable to equity shareholders:			
- Basic (cent) - see section 6	(1.01)	0.12	
- Diluted (cent) - see section 6	(1.01)	0.12	

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

NM : not meaningful

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

	GROUP (S$'000)	
	1QFY16 30.09.15	1QFY15 30.09.14
Dividend income	48	27
Interest income	268	282
Reclassification from other comprehensive income on disposal of available-for-sale financial assets	11	5
Impairment of available-for-sale financial assets	(96)	-
Foreign exchange loss	(965)	(1)
Finance cost-net is made up of :		
Interest expense	(1)	-
Foreign exchange gain arising from borrowings	-	3
Provision for slow moving stocks	(5,207)	-
Bad debts recovered	23	-

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

	GROUP		COMPANY	
	30.09.2015 $'000	30.06.2015 $'000	30.09.2015 $'000	30.06.2015 $'000
Current Assets				
Cash and cash equivalents	48,731	44,279	10,246	8,467
Trade and other receivables	22,950	25,314	6,721	7,309
Inventories	34,267	45,026	19,686	22,286
Other current assets	290	188	113	90
Tax recoverable	5	33	-	30
Due from subsidiaries	-	-	7,918	8,988
	106,243	114,840	44,684	47,170
Non-Current Assets				
Available-for-sale financial assets	20,314	20,677	20,314	20,677
Investment in club membership	34	43	-	-
Investments in subsidiaries	-	-	9,457	9,457
Loan to a subsidiary	-	-	28,871	28,829
Property, plant and equipment	22,523	23,031	163	170
Investment properties	35,297	34,130	28,317	27,127
Deferred income tax assets	649	649	356	356
Other receivables	-	32	-	32
	78,817	78,562	87,478	86,648
Total Assets	**185,060**	**193,402**	**132,162**	**133,818**
Current Liabilities				
Trade and other payables	5,476	6,479	2,127	2,748
Current income tax liabilities	17	5	27	-
Due to a subsidiary	-	-	1,152	1,439
Borrowings	-	408	-	408
	5,493	6,892	3,306	4,595
Non-Current Liability				
Provision for directors' retirement gratuity	497	485	497	485
	497	485	497	485
Total Liabilities	**5,990**	**7,377**	**3,803**	**5,080**
Net Assets	**179,070**	**186,025**	**128,359**	**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	(1,621)	(1,301)	-	-
Fair value reserves	(281)	132	(281)	132
Retained profits	76,462	82,684	22,223	22,189
	179,070	**186,025**	**128,359**	**128,738**

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

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

As at 30.9.2015		As at 30.6.2015	
Secured	Unsecured	Secured	Unsecured
-	-	-	408

Amount repayable after one year (S$'000)

As at 30.9.2015		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 statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group (S$'000)	
	1QFY16 30.09.15	1QFY15 30.09.14
Cash flow from operating activities		
Total (loss)/profit	(6,222)	739
Adjustments for :		
- Income tax expense	35	147
- Property, plant and equipment and investment properties		
- Depreciation	440	425
- Available-for sale financial assets		
- Reclassification from other comprehensive income on disposal	(11)	(5)
- Impairment	96	-
- Interest income	(268)	(282)
- Interest expense	1	-
- Dividend income	(48)	(27)
	(5,977)	997
Change in working capital		
- Trade and other receivables	2,396	3,670
- Inventories	10,759	5,328
- Other current assets	(102)	(86)
- Trade and other payables	(1,003)	(7,144)
- Provision for directors' retirement gratuity	12	12
Cash provided by operations	6,085	2,777
Income tax refund/(paid)	5	(31)
Interest received	268	282
Net cash provided by operating activities	**6,358**	**3,028**
Cash flows from investing activities		
Property, plant & equipment and investment properties		
- Purchases	(1,099)	(2,670)
Financial assets, available-for-sale		
- Purchases	(485)	(558)
- Proceeds from disposal	350	222
Dividends received	48	27
Net cash used in investing activities	**(1,186)**	**(2,979)**
Cash flows from financing activities		
Proceeds from trust receipts	971	2,841
Repayment of trust receipts	(1,379)	(2,600)
Interest paid	(1)	-
Net cash (used in)/provided by financing activities	**(409)**	**241**
Net increase in cash and cash equivalents	4,763	290
Cash and cash equivalents at beginning of the financial period	44,279	50,029
Effects of currency translation on cash and cash equivalents	(311)	9
Cash and cash equivalents at end of the financial period	**48,731**	**50,328**

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	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
At 1 July 2015	107,485	(2,498)	(477)	(1,301)	132	82,684	186,025
Total comprehensive loss for 1st quarter	-	-	-	(320)	(413)	(6,222)	(6,955)
At 30 September 2015	**107,485**	**(2,498)**	**(477)**	**(1,621)**	**(281)**	**76,462**	**179,070**
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**

	Share Capital	Treasury Shares	Capital Reserves	Currency Translation Reserves	Fair Value Reserves	Retained Profits	Total Equity
Company	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
At 1 July 2015	107,485	(2,498)	1,430	-	132	22,189	128,738
Total comprehensive (loss)/income for 1st quarter	-	-	-	-	(413)	34	(379)
At 30 September 2015	**107,485**	**(2,498)**	**1,430**	**-**	**(281)**	**22,223**	**128,359**
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**

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 30 Sep 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.

	30.09.15	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.

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

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

The figures have not been audited or reviewed.

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

Not applicable.

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

The same accounting policies and methods of computation as in the most recently audited financial statements 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, there were no such changes.

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

	GROUP	
	1QFY16 30.09.15 (Note 1)	1QFY15 30.09.14
Earnings per share based on profit attributable to equity shareholders:		
(a) Basic (cent)	(1.01)	0.12
(b) Diluted (cent)	(1.01)	0.12

Note 1 : The basic and diluted earnings per share is calculated based on the weighted average number of ordinary shares of 616,777,610 (30.09.14: 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	
	30.09.15	30.06.15	30.09.15	30.06.15
Net Asset Value per ordinary share (cents)	29.03	30.16	20.81	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	
	1QFY16	4QFY15	1QFY15
Revenue	15,320	17,452	22,195
Gross (Loss)/Profit	(2,049)	23	4,513
GP %	*-13.4%*	*0.1%*	*20.3%*

The Group's 1QFY16 revenue declined to $15.3M from $17.5M and $22.2M reported for 4QFY15 and 1QFY15 respectively. The lower revenue could be mainly attributed to the weak demand for steel products from the shipbuilding and oil & gas sectors.

With the Shipbuilding & Marine sectors in a doldrum, demand for structural steel products had remained extremely sluggish. The weak global economy outlook had prompted steel mills to slash prices more aggressively causing huge downward pressure on selling prices. In view of these adverse market conditions, the Group decided to write down these inventories by $5.2M in 1QFY16 (4QFY15: $3.3M write down) which was accounted for under "changes in inventories". As such, 1QFY16 ended with a gross loss of $2.0M compared with gross profits of $23K and $4.5M reported for 4QFY15 and 1QFY15 respectively. This had also resulted in gross profit margin falling to -13.4% in 1QFY16 compared with 0.1% and 20.3% reported for 4QFY15 and 1QFY15 respectively.

Other gains/losses

Other losses for 1QFY16 were $1.1M as compared to other gains of $4K in 1QFY15. Included in these expenses was a foreign exchange loss of $1.0M arising from the revaluation of assets denominated in foreign currencies, in particular Malaysia Ringgit, which had weakened considerably since the last quarter.

Other operating income

Other operating income for 1QFY16 increased to $398K from $327K for 1QFY15 mainly due to higher interest & dividend income earned in the reporting quarter.

Staff costs, Depreciation, Other operating expenses and Finance cost

Manpower costs in 1QFY16 decreased slightly to $1.9M from $2.1M as no provision for incentives was made in 1QFY16 as the Group reported a loss for the quarter.

During the period, depreciation rose to $440K from $425K in 1QFY15 as construction at 6 Kim Chuan Drive had been completed and was subject to depreciation.

Other operating expenses for 1QFY16 were $1.1M, lower than that of 1QFY15 of $1.5M. The reduction was in tandem with the lower turnover recorded for the period.

Finance cost - net in 1QFY16 comprised interest expense of $1K (1QFY15: nil) and nil forex gains (1QF15:$3K gain).

Profitability review

As a result of the provision made for inventories write-down and foreign exchange loss suffered, the Group incurred a net loss of $6.2M for 1QFY16 against a profit of $0.7M reported in 1QFY15.

REVIEW OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2015

Non current assets

The slight decrease in available-for-sale financial assets to $20.3M (4QFY15: $20.7M) was due to a fall in the market price of marketable bonds and equities.

Investment properties rose to $35.3M 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

Trade and other receivables fell to $23.0M from $25.3M in tandem with the lower turnover achieved in the quarter.

The Group continued to exercise caution in inventory replenishment and together with the write-down in inventories, the stock balance decreased to $34.3M from $45.0M.

Trade and other payables declined to $5.5M from $6.5M with the Group purchasing less during the quarter.

There were no borrowings due to lower purchasing volume and the Group's strong cash position allowed it to pay its liabilities early and to minimise interest expenses. Borrowings stood at nil as at 1QFY16 as compared with $0.4M as at 4QFY15.

Share capital and reserves

Fair value reserves stands at a debit balance of $281K as at 1QFY16 (4QFY15: credit balance of $132K) due to lower market values of the Group's available-for-sale financial assets.

Cashflow

During the quarter, the Group received positive cash inflow of $6.4M (FY15:$3.0M) from its operations, a net cash outflow from investing activities of $1.2M (FY15: $3.0M) and a net cash outflow from financing activities of $0.4M (FY15: $0.2M inflow). These had resulted in an increase of $4.8M (FY15: $0.3M) 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

In the result announcement published on 26 August 2015 for quarter ended 30 June 2015, the Group mentioned that it was not optimistic of returning to profitability in the current quarter ended 30 September 2015.

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

Demand for structural steel products, pipes and fittings is expected to remain sluggish due to depressed activities from local and regional markets. Business volume is also expected to slow down with the upcoming year end holidays and festivals. The lower growth forecast of the local economy will likely dampen demand in the middle term.

The Group continues to expect keen competition and selling prices will remain under pressure to adjust downward. Although purchase prices for inventories may fall due to oversupply, the strengthening US dollar may just erode away any cost advantage gains. Therefore, the Group expects considerable pressure in maintaining the profit margins for all its products.

The Group is closely monitoring its operation costs and stock level so that it will be responsive in meeting customers' needs while remaining cost effective. It believes market conditions will remain tough in the current financial year ending 30 June 2016 and it may not return to profitability for the full year.

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
Low Geok Eng, Susie
Company Secretary
13 November 2015

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 1QFY16 financial results to be false or misleading in any material aspects.

On behalf of the Board of Directors

Lim Kim Thor
Co-CEO
13 November 2015

Lim Boh Chuan
Co-CEO