HUPSteel Limited
3QFY16 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)					
	3Q FY16	3Q FY15	% +/(-)	1.7.15 - 31.3.16	1.7.14 - 31.3.15	% +/(-)
Revenue	12,003	20,984	-43%	43,926	66,934	-34%
Changes in inventories*	(1,297)	(2,651)	-51%	(13,131)	(7,586)	73%
Purchases of inventories	(7,794)	(14,642)	-47%	(26,738)	(47,440)	-44%
Gross profit	2,912	3,691	-21%	4,057	11,908	-66%
Other (losses)/gains - net	(98)	(56)	75%	(1,061)	74	NM
Other operating income	345	395	-13%	1,081	1,075	1%
Staff cost	(1,739)	(1,913)	-9%	(5,624)	(5,671)	-1%
Depreciation	(512)	(414)	24%	(1,464)	(1,252)	17%
Other operating expenses	(1,280)	(1,574)	-19%	(3,799)	(4,482)	-15%
Finance cost - net	6	25	-76%	(11)	(30)	-63%
(Loss)/profit before tax	(366)	154	-338%	(6,821)	1,622	-521%
Income tax expense	(6)	(26)	-77%	(21)	(276)	-92%
Total (loss)/profit	(372)	128	-391%	(6,842)	1,346	-608%
Other comprehensive (loss)/income :						
Currency translation differences arising from consolidation	122	(70)	NM	(347)	(199)	74%
Available-for-sale financial assets						
- Fair value (losses)/gains	(451)	609	NM	(836)	661	NM
- Reclassification	(13)	(133)	-90%	29	(452)	NM
Total comprehensive (loss)/income	(714)	534	-234%	(7,996)	1,356	-690%
(Loss)/profit attributable to Equity holders of the Company	(372)	128	NM	(6,842)	1,346	NM
Total comprehensive (loss)/income attributable to Equity holders of the Company	(714)	534	NM	(7,996)	1,356	NM
(Loss)/earnings per share based on profit attributable to equity shareholders:						
- Basic (cent)	(0.30)	0.10		(5.55)	1.09	
- Diluted (cent)	(0.30)	0.10		(5.55)	1.09	

*Note - *: Included provision for inventory write-down of $0.2M in 3QFY16 ($5.2M in 1QFY16)*

NM : not meaningful

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

	GROUP (S$'000)			
	3Q FY16	3Q FY15	1.7.15 - 31.3.16	1.7.14 - 31.3.15
Dividend income	13	14	102	54
Interest income	286	288	782	868
Gain/(loss) on disposal of plant & equipment	-	2	-	2
Reclassification from other comprehensive income on disposal of available-for-sale financial assets	13	133	67	452
Impairment of available-for-sale financial assets	-	-	(96)	-
Foreign exchange loss	(111)	(189)	(1,032)	(378)
Finance cost-net is made up of :				
Interest expense	*	(1)	(1)	(3)
Foreign exchange gain/(loss) arising from borrowings	6	26	(10)	(27)
Provision for slow moving stocks	(236)	-	(5,475)	-
Bad debts recovered	17	-	74	-
(Allowance)/write-back of allowance for trade receivables	-	(10)	-	(10)

*Note * : Amounts less than S$1,000*

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	
	31.03.2016 $'000	30.06.2015 $'000	31.03.2016 $'000	30.06.2015 $'000
Current Assets				
Cash and cash equivalents	54,463	44,279	15,403	8,467
Trade and other receivables	18,033	25,314	4,317	7,309
Inventories	31,895	45,026	18,471	22,286
Other current assets	272	188	138	90
Tax recoverable	-	33	-	30
Due from subsidiaries	-	-	5,592	8,988
	104,663	114,840	43,921	47,170
Non-Current Assets				
Available-for-sale financial assets	19,734	20,677	19,734	20,677
Investment in club membership	36	43	-	-
Investment in subsidiaries	-	-	9,457	9,457
Loan to a subsidiary	-	-	28,722	28,829
Property, plant and equipment	21,933	23,031	145	170
Investment properties	35,024	34,130	28,089	27,127
Deferred income tax assets	649	649	356	356
Other receivables	-	32	-	32
	77,376	78,562	86,503	86,648
Total Assets	**182,039**	**193,402**	**130,424**	**133,818**
Current Liabilities				
Trade and other payables	3,876	6,479	2,370	2,748
Current income tax liabilities	11	5	-	-
Due to a subsidiary	-	-	1,153	1,439
Borrowings	130	408	130	408
	4,017	6,892	3,653	4,595
Non-Current Liability				
Provision for directors' retirement gratuity	610	485	610	485
	610	485	610	485
Total Liabilities	**4,627**	**7,377**	**4,263**	**5,080**
Net Assets	**177,412**	**186,025**	**126,161**	**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	(1,648)	(1,301)	-	-
Fair value reserves	(675)	132	(675)	132
Retained profits	75,225	82,684	20,419	22,189
	177,412	**186,025**	**126,161**	**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 31.03.2016		As at 30.6.2015	
Secured	Unsecured	Secured	Unsecured
-	130	-	408

Amount repayable after one year (S$'000)

As at 31.03.2016		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. 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)			
	3Q FY16	3Q FY15	1.7.15 - 31.3.16	1.7.14 - 31.3.15
Cash flow from operating activities				
Total (loss)/profit	(372)	128	(6,842)	1,346
Adjustments for:				
- Income tax expense	6	26	21	276
- Property, plant and equipment and investment properties				
- Depreciation	512	414	1,464	1,252
- (Gain)/loss on disposal	-	(2)	-	(2)
- Available-for-sale financial assets				
- Reclassification from other comprehensive income on disposal	(13)	(133)	(67)	(452)
- Impairment	-	-	96	-
- Interest income	(286)	(288)	(782)	(868)
- Interest expense	-	1	1	3
- Dividend income	(13)	(14)	(102)	(54)
	(166)	132	(6,211)	1,501
Change in working capital				
- Trade and other receivables	4,658	2,505	7,313	7,412
- Inventories	1,297	2,651	13,131	7,586
- Other current assets	(22)	3	(84)	(130)
- Trade and other payables	(1,260)	(1,622)	(2,603)	(9,035)
- Provision for director retirement gratuity	12	(511)	125	(488)
Cash generated from operations	4,519	3,158	11,671	6,846
Income taxes (paid)/refunded	-	(448)	18	(819)
Interest received	286	288	782	868
Net cash provided by operating activities	4,805	2,998	12,471	6,895
Cash flows from investing activities				
Property, plant & equipment :				
- Purchases	(140)	(1,684)	(1,260)	(6,730)
- Proceeds from disposal	-	2	-	2
Financial assets, available-for-sale				
- Purchases	(344)	(1,126)	(1,126)	(2,507)
- Proceeds from disposal	305	2,359	1,240	3,440
Dividends received	13	14	102	54
Net cash used in investing activities	(166)	(435)	(1,044)	(5,741)
Cash flows from financing activities				
Proceeds from trust receipts	1,305	1,353	3,974	8,704
Repayment of trust receipts	(1,487)	(2,089)	(4,252)	(9,102)
Dividend paid to shareholders	-	(6,167)	(617)	(6,167)
Interest paid	*	(1)	(1)	(3)
Net cash used in financing activities	(182)	(6,904)	(896)	(6,568)
Net increase/(decrease) in cash and cash equivalents	4,457	(4,341)	10,531	(5,414)
Cash and cash equivalents at beginning of the financial period	49,884	48,827	44,279	50,029
Effects of currency translation on cash and cash equivalents	122	(70)	(347)	(199)
Cash and cash equivalents at end of the financial period	54,463	44,416	54,463	44,416

*Note * : Amounts less than S$1,000*

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
Purchase of treasury shares	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	(617)	(617)
Total comprehensive income	-	-	-	(347)	(807)	(6,842)	(7,996)
At 31 March 2016	**107,485**	**(2,498)**	**(477)**	**(1,648)**	**(675)**	**75,225**	**177,412**
Group							
At 1 July 2014	107,485	(2,498)	(477)	(990)	603	96,802	200,925
Purchase of treasury shares	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	(6,167)	(6,167)
Total comprehensive income	-	-	-	(199)	209	1,346	1,356
At 31 March 2015	**107,485**	**(2,498)**	**(477)**	**(1,189)**	**812**	**91,981**	**196,114**

	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
Purchase of treasury shares	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	(617)	(617)
Total comprehensive income	-	-	-	-	(807)	(1,153)	(1,960)
At 31 March 2016	**107,485**	**(2,498)**	**1,430**	**-**	**(675)**	**20,419**	**126,161**
Company							
At 1 July 2014	107,485	(2,498)	1,430	-	603	27,449	134,469
Purchase of treasury shares	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	(6,167)	(6,167)
Total comprehensive income	-	-	-	-	209	2,664	2,873
At 31 March 2015	**107,485**	**(2,498)**	**1,430**	**-**	**812**	**23,946**	**131,175**

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 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
Shares Consolidation (5 to 1)	(8,474,400)	-
Balance as at 31 Mar 2016	2,118,600	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.

	31.03.16	30.06.15
Number of shares in issue excluding treasury shares	123,355,514*	616,777,610

*Note * : Reduction due to share consolidation of 5 shares to 1 share completed on 8th January 2016.*

(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 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 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.

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 31.03.16 (note 1)	3 months ended 31.03.15 (note 1)	9 months ended 31.03.16 (note 1)	9 months ended 31.03.15 (note 1)
Earnings per share based on profit attributable to equity shareholders:				
(a) Basic (cent)	(0.30)	0.10	(5.55)	1.09
(b) Diluted (cent)	(0.30)	0.10	(5.55)	1.09

Note 1 : The basic and diluted earnings per share is calculated based on the weighted average number of ordinary shares of 123,355,514 (31.03.15: 123,355,514) in issue during the period. The weighted average number of ordinary shares was arrived at after share consolidation of 5 shares to 1 share completed on 8th January 2016.

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	
	31.03.16	30.06.15	31.03.16	30.06.15
Net Asset Value per ordinary share (cents)	143.82	150.80	102.27	104.36

The net asset value per ordinary share is calculated based on the number of ordinary shares in issue of 123,355,514 at the end of the period (30.06.15: 123,355,514). The weighted average number of ordinary shares was arrived at after share consolidation of 5 shares to 1 share completed on 8th January 2016.

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

REVIEW OF OPERATING PERFORMANCE FOR THE QUARTER ENDED 31 MARCH 2016 ("3QFY16")

Revenue and Gross profit

	S$'000				
	3QFY16	*2QFY16*	*3QFY15*	*9MFY16*	*9MFY15*
Revenue	12,003	16,603	20,984	43,926	66,934
Gross Profit	2,912	3,194	3,691	4,057	11,908
GP %	*24.3%*	*19.2%*	*17.6%*	*9.2%*	*17.8%*

Revenue for 3QFY16 of S$12.0M was 28% lower than S$16.6M reported for 2QFY16 and 43% lower than S$21.0M for 3QFY15. The lower quarter-on-quarter turnover was mainly due to sluggish customers' activities following the Chinese New Year holidays and a quiet market. The decrease in revenue was more pronounced when comparing year-on-year which was mainly due to the declining sale of steel products to the marine, oil & gas sectors caused by the sustained global slump in demand.

With fewer projects and poor demand for steel products, the Group's 9MFY16 revenue fell 34% to S$43.9M from S$66.9M reported for 9MFY15.

For 3QFY16, the Group achieved gross profit margin of 24.3% which was better than 19.2% and 17.6% reported for 2QFY16 & 3QFY15 respectively. The higher gross profit margin was partly contributed by the sale of stocks whose values were written down in 1QFY16 and lower purchased cost of inventory. The Group's gross profit for 9MFY16 of S$4.1M was substantially lower than S$11.9M reported for 9MFY15 due to inventory provision of $5.5M made which was accounted as part of the cost of goods sold.

Although gross profit margin had improved in 3QFY16, the decline in total sales had resulted in lower gross profit of S$2.9M compared with S$3.7M in 3QFY15.

Other (losses)/gains

Other losses for 3QFY16 was S$98K as compared to other losses of S$56K in 3QFY15. These comprised a foreign exchange loss of S$111K (3QFY15: S$189K loss) and a gain on disposal of available-for-sale financial assets of S$13K (3QFY15 : S$133K).

Other operating income

Other operating income for 3QFY16 was S$345K whereas for 3QFY15 it was S$395K. These are mainly from interest income earned.

Staff cost, Other operating expenses and Finance cost

Staff cost for 3QFY16 of S$1.7M was lesser than that of S$1.9M reported for 3QFY15 as lower provision for incentives were made.

Depreciation recorded in 3QFY16 increased to S$512K from S$414K for 3QFY15 as construction at 6 Kim Chuan Drive were completed and the property was subjected to depreciation in the current financial period.

Other operating expenses decreased to S$1.3M (3QFY16) from S$1.6M (3QFY15) in tandem with the lower sales volume.

Finance cost-net in 3QFY16 was made up of exchange gain of S$6K (3QFY15: S$26K) arising from borrowings. There was insignificant interest expense for 3QFY16 (3QFY15: S$1K).

Profit attributable to equity holders of the Company

With weaker turnover and lower gross profits reported in 3QFY16, the Group suffered a net loss of S$372K as compared to a profit after tax of S$128K for 3QFY15.

REVIEW OF FINANCIAL POSITION AS AT 31 MARCH 2016

Non current assets

The Group's available-for-sale assets stood at S$19.7M, marked to market as at 31 March 2016, which were slightly lower than 4QFY15's balance of S$20.7M due to disposal of some marketable securities and fluctuation in market value of the securities.

Investment properties increased to S$35.0M from S$34.1M in 4QFY15 with the completion of the construction of the Group's industrial building located at 6 Kim Chuan Drive in August 2015.

Current assets and current liabilities

Trade and other receivables decreased to S$18.0M from S$25.3M (4QFY15) mainly due to lower sales during the period and consistent collection effort exerted by the Group.

The Group reported lower inventory balance of S$31.9M in 3QFY16 compared with S$45.0M in 4QFY15 as it continued to sell from its inventory holding and made inventory purchases cautiously.

Trade and other payables further decreased from S$6.5M (4QFY15) to S$3.9M, as the Group utilised its cash and cash equivalents to pay down its liabilities as they fell due.

Balance of borrowings was reduced to S$0.1M from S$0.4M (4QFY15) as the Group purchased less stock as well as settled its borrowings earlier.

The Group continued to post a healthy level of current ratio of 26.1 times (4QFY14: 16.7 times) and was in a net cash position for the quarter.

Share capital and reserves

The Group completed its share consolidation of 5 shares to 1 share on 8th January 2016. As a result, the issued share capital now comprises 125,474,114 shares (including 2,118,600 consolidated treasury shares).

Fair value reserves stood at a debit balance of $675K as at 3QFY16 (4QFY15: credit balance of $132K) due to lower market values of the Group's available-for-sale financial assets.

Cash Flow

For 9MFY16, net cash used in investing activities and financing activities was S$1.0M and S$0.9M respectively with a net cash inflow of S$12.5M from operating activities. These resulted in a net increase of S$10.5M in cash and cash equivalents.

The Group maintained a healthy level of cash holding of S$54.5M as at 3QFY16. This cash holding will provide the Group with a ready source of fund for its working capital requirements.

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 the glut in oil supplies and low oil prices, there is little hope that oil related activities will pick up in the short term. Hence, it can be expected that demand for steel products will remain soft.

Steel mills have also been cutting back their production capacities and offer competitive prices to match falling market demand. This further indicates weak market sentiment from the supply side.

Local and global economies, other than the US, are showing weaker than expected growth which is dampening hope of improvement in demand for the year.

The local property market outlook has remained dim and the Group is still seeking opportunities to lease out its newly completed industrial building at 6 Kim Chuan Drive.

As a result of the poor local and global economic forecast, business prospect for the Group will remain challenging in the near term. During this period, it will seek to maintain its volume and strive to reduce operating costs to weather the tough market conditions with the help of its strong balance sheets.

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?

NA.

(c) Date payable

NA.

(d) Books closure date

NA.

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

NA.

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.

14. Negative confirmation pursuant to Rule 705(5).

The Board of Directors of the Company hereby confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited consolidated financial results for the quarter ended 31 March 2016 to be false or misleading.

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers pursuant to Rule 720(1) of the SGX Listing Manual.

The Company confirms that it has procured undertakings from all its Directors and Executive Officers (in the format set out in Appendix 7.7) pursuant to Rule 720 (1) of the SGX Listing Manual.

BY ORDER OF THE BOARD
Tan Ching Chek
Company Secretary
12 May 2016