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 FY15	2Q FY14	% +/(-)	1H FY15	1H FY14	% +/(-)
Revenue	23,755	30,898	-23%	45,950	63,962	-28%
Changes in inventories	393	(2,252)	NM	(4,935)	(15,388)	-68%
Purchases of inventories	(20,444)	(23,481)	-13%	(32,798)	(38,554)	-15%
Gross profit	3,704	5,165	-28%	8,217	10,020	-18%
Other operating income	667	470	42%	999	912	10%
Staff cost	(1,675)	(2,126)	-21%	(3,758)	(4,163)	-10%
Depreciation	(413)	(436)	-5%	(838)	(873)	-4%
Other operating expenses	(1,643)	(1,744)	-6%	(3,097)	(3,741)	-17%
Finance cost - net	(58)	(48)	21%	(55)	(19)	189%
Profit before tax	582	1,281	-55%	1,468	2,136	-31%
Income tax expense	(103)	(218)	-53%	(250)	(363)	-31%
Total profit	479	1,063	-55%	1,218	1,773	-31%
Other comprehensive income/(expenses) :						
Currency translation differences arising from consolidation	(138)	20	-790%	(129)	(139)	-7%
Financial assets, available-for-sale						
- Fair value gain	51	319	-84%	52	339	-85%
- Reclassification	(314)	(135)	133%	(319)	(280)	14%
Total comprehensive income	78	1,267	-94%	822	1,693	-51%
Profit attributable to Equity holders of the Company	479	1,063	-55%	1,218	1,773	-31%
Total comprehensive income attributable to Equity holders of the Company	78	1,267	-94%	822	1,693	-51%
Earnings per share based on profit attributable to equity shareholders:						
- Basic (cent) - see section 6	0.08	0.17		0.20	0.29	
- Diluted (cent) - see section 6	0.08	0.17		0.20	0.29	

Note : NM : not meaningful

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

	GROUP (S$'000)			
	2Q FY15	2Q FY14	1H FY15	1H FY14
Dividend income	13	5	40	23
Interest income	298	296	580	511
Reclassification from other comprehensive income on disposal of available-for-sale financial assets	314	135	319	280
Foreign exchange (loss)/gain	(186)	125	(187)	(175)
Finance cost-net is made up of :				
Interest expense	(2)	(5)	(2)	(22)
Foreign exchange (loss)/gain arising from borrowings (trust receipts)	(56)	(43)	(53)	3
Bad debts written off	-	(2)	-	(2)
Write-back of allowance for trade receivables	-	8	-	8

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	
	31.12.2014	30.06.2014	31.12.2014	30.06.2014
	$'000	$'000	$'000	$'000
Current Assets				
Cash and cash equivalents	48,827	50,029	18,655	16,937
Trade and other receivables	33,152	38,059	6,810	8,110
Inventories	49,332	54,267	24,093	25,603
Other current assets	278	145	132	69
Due from subsidiaries	-	-	9,702	8,933
	131,589	142,500	59,392	59,652
Non-Current Assets				
Available-for-sale financial assets	19,156	18,804	19,156	18,804
Investment in club membership	43	43	-	-
Investment in subsidaries	-	-	9,457	9,457
Loan to a subsidiary	-	-	28,873	35,930
Property, plant and equipment	23,772	24,498	151	170
Investment properties	30,476	25,542	23,427	18,448
Goodwill	4,630	4,630	-	-
Deferred income tax assets	106	106	218	218
	78,183	73,623	81,282	83,027
Total Assets	**209,772**	**216,123**	**140,674**	**142,679**
Current Liabilities				
Trade and other payables	5,135	12,548	1,938	4,770
Current income tax liabilities	719	840	524	480
Due to a subsidiary	-	-	1,165	1,150
Borrowings	1,186	848	520	848
	7,040	14,236	4,147	7,248
Non-Current Liabilities				
Provision for directors' retirement gratuity	985	962	985	962
	985	962	985	962
Total Liabilities	**8,025**	**15,198**	**5,132**	**8,210**
Net Assets	**201,747**	**200,925**	**135,542**	**134,469**
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	(1,119)	(990)	-	-
Fair value reserves	336	603	336	603
Retained profits	98,020	96,802	28,789	27,449
	201,747	**200,925**	**135,542**	**134,469**

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 31.12.2014		As at 30.6.2014	
Secured	Unsecured	Secured	Unsecured
-	1,186	-	848

Amount repayable after one year ('000)

As at 31.12.2014		As at 30.6.2014	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral

The unsecured group borrowings and debt securities consist of mainly 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 FY15	2Q FY14	1H FY15	1H FY14
Cash flow from operating activities				
Total profit	479	1,063	1,218	1,773
Adjustments for:				
-Income tax expense	103	218	250	363
- Property, plant and equipment and investment properties				
- Depreciation	413	436	838	873
- Available-for-sale financial assets				
- Reclassification from other comprehensive income on disposal	(314)	(135)	(319)	(280)
- Interest income	(298)	(296)	(580)	(511)
- Interest expense	2	5	2	22
- Dividend income	(13)	(5)	(40)	(23)
	372	1,286	1,369	2,217
Change in working capital				
- Inventories	(393)	2,252	4,935	15,388
- Trade and other receivables	1,237	5,510	4,907	8,233
- Derivative financial instruments	-	(44)	-	3
- Trade and other payables	(269)	(87)	(7,413)	(7,817)
- Provision for director retirement gratuity	11	11	23	23
- Other current assets	(47)	55	(133)	(136)
Cash generated from operations	911	8,983	3,688	17,911
Income tax paid	(340)	(143)	(371)	(124)
Interest received	298	296	580	511
Net cash provided by operating activities	**869**	**9,136**	**3,897**	**18,298**
Cash flows from investing activities				
Property, plant & equipment and investment properties				
- Purchases	(2,376)	(1,275)	(5,046)	(1,460)
Available-for-sale financial assets				
- Purchases	(823)	(2,324)	(1,381)	(4,313)
- Proceeds from disposal	859	379	1,081	2,050
Dividends received	13	5	40	23
Net cash used in investing activities	**(2,327)**	**(3,215)**	**(5,306)**	**(3,700)**
Cash flows from financing activities				
Purchase of treasury shares	-	(80)	-	(533)
Proceeds from trust receipts	4,510	10,615	7,351	19,562
Repayment of trust receipts	(4,413)	(10,528)	(7,013)	(22,761)
Dividend paid to shareholders	-	(3,086)	-	(6,182)
Interest paid	(2)	(5)	(2)	(22)
Net cash provided by/(used in) financing activities	**95**	**(3,084)**	**336**	**(9,936)**
Net (decrease)/increase in cash and cash equivalents	**(1,363)**	**2,837**	**(1,073)**	**4,662**
Cash and cash equivalents at beginning of the financial period	50,328	50,213	50,029	48,547
Effects of currency translation on cash and cash equivalents	(138)	20	(129)	(139)
Cash and cash equivalents at end of the financial period	**48,827**	**53,070**	**48,827**	**53,070**

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 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**
Group							
At 1 July 2013	107,485	(1,965)	(477)	(845)	315	96,337	200,850
Purchase of treasury shares	-	(453)	-	-	-	-	(453)
Total comprehensive (loss)/income for 1st quarter	-	-	-	(159)	(125)	710	426
At 30 September 2013	107,485	(2,418)	(477)	(1,004)	190	97,047	200,823
Purchase of treasury shares	-	(80)	-	-	-	-	(80)
Dividend paid	-	-	-	-	-	(3,086)	(3,086)
Total comprehensive income for 2nd quarter	-	-	-	20	184	1,063	1,267
At 31 December 2013	**107,485**	**(2,498)**	**(477)**	**(984)**	**374**	**95,024**	**198,924**

	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 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**
Company							
At 1 July 2013	107,485	(1,965)	1,430	-	315	27,872	135,137
Purchase of treasury shares	-	(453)	-	-	-	-	(453)
Total comprehensive (loss)/income for 1st quarter	-	-	-	-	(125)	1,020	895
At 30 September 2013	107,485	(2,418)	1,430	-	190	28,892	135,579
Purchase of treasury shares	-	(80)	-	-	-	-	(80)
Dividend paid	-	-	-	-	-	(3,086)	(3,086)
Total comprehensive income for 2nd quarter	-	-	-	-	184	673	857
At 31 December 2013	**107,485**	**(2,498)**	**1,430**	**-**	**374**	**26,479**	**133,270**

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 2014	10,593,000	2,498
Purchases	-	-
Balance as at 31 Dec 2014	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.

	31.12.14	30.06.14
Number of shares in issue	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 31.12.14 (note 1)	3 months ended 31.12.13	6 months ended 31.12.14 (note 1)	6 months ended 31.12.13
Earnings per share based on profit attributable to equity shareholders:				
(a) Basic (cent)	0.08	0.17	0.20	0.29
(b) Diluted (cent)	0.08	0.17	0.20	0.29

Note 1 : The basic and diluted earnings per share is calculated based on the weighted average number of ordinary shares of 616,777,610 (31.12.13: 617,051,556) 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	
	31.12.14	30.06.14	31.12.14	30.06.14
Net Asset Value per ordinary share (cents)	32.71	32.58	21.98	21.80

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 (30.06.14: 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		
	2QFY15	***1QFY15***	***2QFY14***	***1HFY15***	***1HFY14***
Revenue	23,755	22,195	30,898	45,950	63,962
Gross Profit	3,704	4,513	5,165	8,217	10,020
GP %	*15.6%*	*20.3%*	*16.7%*	*17.9%*	*15.7%*

Revenue for 2QFY15 increased by 7% to $23.8M from $22.2M in 1QFY15 as business activities remained stagnant. However when compared year-on-year, quarterly revenue fell 23% compared to 2QFY14 revenue of $30.9M. This could be mainly attributed to weak demand for steel products as business activities declined during the year end festive holidays and fewer project orders were received.

Revenue for 1HFY15 declined 28% to $46.0M when compared with the reported revenue of $64.0M for 1HFY14 as a result of declining demand for steel products by customers from the marine, oil and gas sectors. These customers had been affected by fewer orders and falling oil prices had further suppressed activities. Intense competition also resulted in downward pressure on selling prices.

Gross profit margin for the quarter dipped slightly to 15.6% (1QFY15: 20.3%) from 16.7% in 2QFY14 due to lower prices caused by stiff competition. However, the Group was able to report higher gross profit margin of 17.9% in 1HFY15 as compared with 15.7% for 1HFY14 as there was proportionally more higher margin spot sale in 1HFY15.

Other operating income

Other operating income for 2QFY15 of $667K was higher than last year's corresponding quarter of $470K as there were more gains derived from partial disposal of the available-for-sale financial assets and higher interest income earned.

Staff cost, Depreciation, Other operating expenses and Finance cost

Staff cost of $1.7M for 2QFY15 was lower in comparison with $2.1M incurred for 2QFY14 as the Group made a lower provision for incentives, in tandem with the lower revenue and profitability.

Depreciation fell slightly from $436K in 2QFY14 to $413K in 2QFY15 as construction works carried out at 6 Kim Chuan Drive were not subjected to depreciation as the redevelopment is not ready for use.

The other operating expenses of $1.6M (2QFY15) comprised revaluation loss of $186K from foreign currencies denominated trade debtors and other expenses of $1.5M, compared to a foreign exchange gain of $125K and other expenses of $1.9M recorded in the corresponding quarter.

Finance cost-net in 2QFY15 was made up of interest expense of $2K (2QFY14: $5K) and exchange loss of $56K (2QFY14: $43K) arising from borrowings.

Profit attributable to equity holders of the Company

Total profit after tax for 2QFY15 decreased 55% to $479K from $1,063K for 2QFY14 in tandem with the lower revenue and gross profits reported.

REVIEW OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

Non current assets

The Group's available-for-sale assets standing at $19.2M, marked to market as at 31 December 2014, were higher than 4QFY14's balance of $18.8M due to purchases of marketable securities.

Investment properties increased to $30.5M from $25.5M in 4QFY14 due to ongoing construction at 6 Kim Chuan Drive.

Current assets and current liabilities

During the quarter, trade and other receivables fell to $33.2M from $38.1M (4QFY14) in tandem with the decreased turnover and continued effort on collecting debts.

Inventories decreased to $49.3M from $54.3M (4QFY14) as the Group sold from its inventory holding and scaled down its purchases.

Trade and other payables declined significantly to $5.1M from $12.5M (4QFY14) as the Group purchased fewer inventories during the period and utilised its cash reserves to pay down its liabilities as they fall due.

Borrowings amounted to $1.2M and $0.8M for 1HFY15 and 4QFY14 respectively. The slight increase in borrowings was due mainly to an utilisation of trust receipt facilities and was not due for settlement.

The Group continued to post a healthy level of current ratio of 18.7 times (4QFY14: 10.0 times).

Share capital and reserves

Fair value reserves fell to $336K from $603K (4QFY14) due to disposal of some of the Group's available-for-sale financial assets during the period.

Cash flow

There was a net cash inflow of $0.9M in 2QFY15 (net cash inflow of $9.1M in 2QFY14) from operating activities. There was a net cash outflow from investing activities of $2.3M (2QFY14: $3.2M) and a net cash inflow from financing activities of $0.1M (2QFY14: $3.1M outflow). The outflow in investing activities was mainly due to progressive payments made for the construction works carried out at 6 Kim Chuan Drive.

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

Demand for steel products had been weak in the last few quarters as activities within the shipbuilding sector remained in a doldrum. The recent oil glut causing dramatic fall in oil prices is expected to affect them further as well as create uncertainties for many oil related businesses. This is likely to further dampened demand for steel products. In addition, delivery volume is likely to be affected by the traditional Chinese New Year holidays in the coming quarter. All of these are pointing to weaker demand for steel products for the coming quarters.

The lack in global demand for steel is forcing mills to cut production. As iron ore prices are reaching historical low and with the lower energy cost, these may prompt mills to cut prices.

Competition for customer orders will remain intense, leading to pressure to reduce selling prices. The rising US dollar strength and the latest MAS intervention to weaken the Singapore dollar will force inventories' costs to continue to rise in the coming quarters.

The Group will strive to manage its operational costs effectively in the midst of these challenging conditions.

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
12 February 2015

Confirmation by the Board

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 material has come to the attention of the Board of Directors of the Company which may render the 2QFY15 financial results to be false or misleading in any material aspects.

On behalf of the Board of Directors

Lim Kim Thor
CEO & Managing Director
12 February 2015

Lim Boh Chuan
Deputy MD