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)		
	1QFY15 30.09.14	1QFY14 30.09.13	% +/(-)
Revenue	22,195	33,064	-33%
Changes in inventories	(5,328)	(13,136)	-59%
Purchases of inventories	(12,354)	(15,073)	-18%
Gross profit	4,513	4,855	-7%
Other operating income	332	442	-25%
Staff cost	(2,083)	(2,037)	2%
Depreciation	(425)	(437)	-3%
Other operating expenses	(1,454)	(1,997)	-27%
Finance cost - net	3	29	-90%
Profit before tax	886	855	4%
Income tax expense	(147)	(145)	1%
Total profit	739	710	4%
Other comprehensive income/(expenses):			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation	9	(159)	NM
Financial assets, available-for-sale			
- Fair value loss	1	20	-95%
- Reclassification	(5)	(145)	-97%
Total comprehensive income	744	426	75%
Profit attributable to Equity holders of the Company	739	710	4%
Total comprehensive income attributable to Equity holders of the Company	744	426	75%
Earnings per share based on profit attributable to equity shareholders:			
- Basic (cent) - see section 6	0.12	0.11	
- Diluted (cent) - see section 6	0.12	0.11	

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

	GROUP (S$'000)	
	1QFY15 30.09.14	1QFY14 30.09.13
Dividend income	27	18
Interest income	282	215
Reclassification from other comprehensive income on disposal of available-for-sale financial assets	5	145
Foreign exchange loss	(1)	(300)
Finance cost-net is made up of :		
Interest expense	-	(54)
Foreign exchange gain arising from borrowings	3	83

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	
	30.09.2014 $'000	30.06.2014 $'000	30.09.2014 $'000	30.06.2014 $'000
Current Assets				
Cash and cash equivalents	50,328	50,029	14,867	16,937
Trade and other receivables	34,389	38,059	7,578	8,110
Inventories	48,939	54,267	22,858	25,603
Other current assets	231	145	110	69
Due from subsidiaries	-	-	9,412	8,933
	133,887	142,500	54,825	59,652
Non-Current Assets				
Available-for-sale financial assets	19,141	18,804	19,141	18,804
Investment in club membership	43	43	-	-
Investment in subsidaries	-	-	9,457	9,457
Loan to a subsidiary	-	-	35,848	35,930
Property, plant and equipment	24,148	24,498	167	170
Investment properties	28,137	25,542	21,066	18,448
Goodwill	4,630	4,630	-	-
Deferred income tax assets	106	106	218	218
	76,205	73,623	85,897	83,027
Total Assets	**210,092**	**216,123**	**140,722**	**142,679**
Current Liabilities				
Trade and other payables	5,404	12,548	2,267	4,770
Current income tax liabilities	956	840	619	480
Due to a subsidiary	-	-	1,152	1,150
Borrowings	1,089	848	622	848
	7,449	14,236	4,660	7,248
Non-Current Liabilities				
Provision for directors' retirement gratuity	974	962	974	962
	974	962	974	962
Total Liabilities	**8,423**	**15,198**	**5,634**	**8,210**
Net Assets	**201,669**	**200,925**	**135,088**	**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	(981)	(990)	-	-
Fair value reserves	599	603	599	603
Retained profits	97,541	96,802	28,072	27,449
	201,669	**200,925**	**135,088**	**134,469**

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 30.9.2014		As at 30.6.2014	
Secured	Unsecured	Secured	Unsecured
-	1,089	-	848

Amount repayable after one year (S$'000)

As at 30.9.2014		As at 30.6.2014	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral

The unsecured group borrowings and debt securities 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)	
	1QFY15 30.09.14	1QFY14 30.09.13
Cash flow from operating activities		
Total profit	739	710
Adjustments for :		
- Income tax expense	147	145
- Property, plant and equipment and investment properties		
- Depreciation	425	437
- Available-for sale financial assets		
- Reclassification from other comprehensive income on disposal	(5)	(145)
- Interest income	(282)	(215)
- Interest expense	-	54
- Dividend income	(27)	(18)
	997	968
Change in working capital		
- Inventories	5,328	13,136
- Trade and other receivables	3,670	2,723
- Derivative financial instruments	-	47
- Trade and other payables	(7,144)	(7,730)
- Provision for directors' retirement gratuity	12	12
- Other current assets	(86)	(191)
Cash provided by operations	2,777	8,965
Income tax (paid)/refund	(31)	19
Interest received	282	215
Net cash provided by operating activities	**3,028**	**9,199**
Cash flows from investing activities		
Property, plant & equipment and investment properties		
- Purchases	(2,670)	(185)
Financial assets, available-for-sale		
- Purchases	(558)	(1,989)
- Proceeds from disposal	222	1,671
Dividends received	27	18
Net cash used in investing activities	**(2,979)**	**(485)**
Cash flows from financing activities		
Purchase of treasury shares	-	(453)
Proceeds from trust receipts	2,841	8,947
Repayment of trust receipts	(2,600)	(12,233)
Dividend paid to shareholders	-	(3,096)
Interest paid	-	(54)
Net cash provided by/(used in) financing activities	**241**	**(6,889)**
Net increase in cash and cash equivalents	290	1,825
Cash and cash equivalents at beginning of the financial period	50,029	48,547
Effects of currency translation on cash and cash equivalents	9	(159)
Cash and cash equivalents at end of the financial period	**50,328**	**50,213**

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 2014	107,485	(2,498)	(477)	(990)	603	96,802	200,925
Total comprehensive (loss)/income for 1st quarter	-	-	-	9	(4)	739	744
At 30 September 2014	**107,485**	**(2,498)**	**(477)**	**(981)**	**599**	**97,541**	**201,669**
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**

	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 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**
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**

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 2014	10,593,000	2,498
Purchases	-	-
Balance as at 30 Sep 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.

	30.09.14	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.

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	
	1QFY15 30.09.14 (Note 1)	1QFY14 30.09.13
Earnings per share based on profit attributable to equity shareholders:		
(a) Basic (cent)	0.12	0.11
(b) Diluted (cent)	0.12	0.11

Note 1 : The basic and diluted earnings per share is calculated based on the weighted average number of ordinary shares of 616,777,610 (30.09.13: 617,419,175) 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	
	30.09.14	30.06.14	30.09.14	30.06.14
Net Asset Value per ordinary share (cents)	32.70	32.58	21.90	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		
	1QFY15	4QFY14	1QFY14
Revenue	22,195	27,329	33,064
Gross Profit	4,513	5,045	4,855
GP %	20.3%	18.5%	14.7%

The Group's 1QFY15 revenue declined to $22.2M from $27.3M and $33.1M reported for 4QFY14 and 1QFY14 respectively. The lower revenue when compared with the last quarter and a year ago could be attributed to weak demand for steel plates mainly from its shipyard customers.

With the lower revenue reported for 1QFY15, gross profit fell to $4.5M from $5.0M and $4.9M reported for 4QFY14 and 1QFY14 respectively. However, gross profit margin climbed to 20.3% in 1QFY15 which was higher than 18.5% and 14.7% achieved for 4QFY14 and 1QFY14 respectively. This was mainly the result of the Group continuing its focus on higher margin spot sale of its structural steel products and coupled with the reduction of lower margin project sale of steel plates during the period.

Other operating income

Other operating income for 1QFY15 declined to $332K from $442K for 1QFY14 mainly due to higher profit arising from the disposal of some of the available-for-sale financial assets recorded in last corresponding quarter.

Staff costs, Depreciation, Other operating expenses and Finance cost

Manpower costs in 1QFY15 increased marginally to $2.1M from $2.0M due to smaller provision for incentives made in 1QFY14.

During the period, depreciation dipped slightly to $425K from $437K in 1QFY14 as construction at 6 Kim Chuan Drive is still ongoing and hence not subjected to depreciation during the period.

Other operating expenses for 1QFY15 was $1.5M (1QFY14: $2.0M). The reduction was in tandem with the lower turnover recorded for the period. Included in these expenses was an exchange loss of $1K arising from the revaluation of assets denominated in foreign currencies compared with a corresponding exchange loss of $300K in 1QFY14.

Finance cost - net was made up of an exchange gain of $3K (1QFY14: $83K) and with no interest expense incurred in 1QFY15 (1QFY14: $54K) there was a net gain of $3K compared with a net gain of $29K for 1QFY14.

Profitability review

Total profit after tax for 1QFY15 increased slightly to $739K from $710K in 1QFY14. The higher profit was mainly attributed to the better gross profit margin achieved and lower expenses.

REVIEW OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2014

Non current assets

The increase in available-for-sale financial assets to $19.1M (FY14: $18.8M) was due to acquisition of marketable bonds and equities.

Balance of investment properties rose to $28.1M from $25.5M in 4QFY14 due to the ongoing construction at 6 Kim Chuan Drive.

Current assets and current liabilities

Trade and other receivables fell to $34.4M from $38.1M in tandem with the lower turnover achieved in the quarter.

The Group continued to exercise caution in inventory replenishment and sales were made from its current inventory holding. Hence, inventory balance decreased to $48.9M from $54.3M.

Trade and other payables declined to $5.4M from $12.5M with the Group purchasing less during the quarter.

Borrowings were low mainly 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 $1.0M as at 1QFY15 as compared with $0.8M as at 4QFY14.

Share capital and reserves

Fair value reserves decrease to $599K from $603K due to lower market values of the Group's available-for-sale financial assets during the quarter.

Cashflow

During the quarter, the Group received positive cash inflow of $3.0M (FY14:$9.2M) from its operations, a net cash outflow from investing activities of $3.0M (FY14: $0.5M) and a net cash inflow from financing activities of $0.2M (FY14: $6.9M outflow). The outflow in investing activities was a result of the redevelopment of property as well as acquiring more available-for-sale financial assets.

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 structural steel products, pipes and fittings is expected to remain weak due to depressed activities from regional markets and the coming year end holidays and festivals.

The rising strength of the US dollar recently will likely cause incoming inventory costs to rise and will erode margin in the short term. The Group will try to avoid incurring large exchange losses when making inventory purchases which are denominated in US dollar.

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.

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
12 November 2014

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 1QFY15 financial results to be false or misleading in any material aspects.

On behalf of the Board of Directors

Lim Kim Thor
CEO/MD
12 November 2014

Lim Boh Chuan
Deputy MD