HUPSteel Limited
The Hub For Steel

The Board of Directors of Hupsteel Limited (the 'Company') wishes to provide additional information in response to a query received from the SGX on 29 August 2011 with regard to the Full Year Financial Statements for year ended 30 June 2011.

SGX query

We refer to paragraph 8 of the Full Year Results which reads: "***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".*** We note that the Company has provided a review of the Group's performance for the 4th quarter ended 30 June 2011. As such, please provide a revised paragraph 8 of the Full Year Results for the period from 1 July 2010 to 30 June 2011.

Company's Reply

Revenue & Gross profit

			$'000		
	4QFY11	3QFY11	4QFY10	12MFY11	12MFY10
Revenue	53,959	45,579	56,864	189,439	176,673
Gross Profit	8,343	7,330	9,789	28,545	28,779
GP %	*15.5%*	*16.1%*	*17.2%*	*15.1%*	*16.3%*

Revenue for FY11 rose 7% to $189.4M from $176.7M for FY10, mainly due to slightly better market demand for steel products compared to the corresponding period last year.

The gross profit margin for FY11 declined slightly to 15.1% from 16.3% (FY10), mainly due to sales of lower margin structural steel products making up a larger proportion of the Group's revenue and the write back in FY10 of $3.2M of provisions for impairment in inventory value.

Other operating income

Other operating income for FY11 declined to $990K from $1.1M for FY10, mainly due to lower interest income received as interest rates were lower compared to the corresponding period last year.

Expenses

Staff cost, Depreciation, Other operating expenses & Finance cost

Staff cost for FY11 remained constant at $8.2M (FY10: $8.2M) despite the increase in revenue, reflecting continual effort to improve efficiency within the Group.

One of the Group's warehouses was decommissioned for redevelopment a year ago. The redevelopment was completed during this financial year and this accounted for the increase in depreciation expenses to $1.7M from $1.6M (FY10).

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Other operating expenses increased to $8.9M from $7.6M, mainly due to higher foreign exchange loss of $1.3M (FY10 : $0.5M) on foreign currency denominated assets and higher allowance for trade receivables of $617K (FY10 : $194K).

Finance cost – net for FY11 showed a gain of $823K (FY10: $9K gain) comprising interest expense of $231K (FY10: $134K) and exchange gain of $1.1M (FY10: $143K gain). As the Group mainly financed its inventory purchases with US dollar denominated trust receipts, it benefited in exchange gain as the US dollar weakened against the Singapore dollar throughout the financial year.

Profit attributable to equity holders of the Company

Total profit after tax for FY11 rose 22% to $12.6M from $10.3M in FY10, due mainly to profit from the sale of the property that housed the discontinued sandblasting operation. This operation contributed less than 5% to the Group's annual revenue. The total profit after tax for FY10 also included a write back of the provision for inventory write-down of approximately $3.2M.

By order of the Board
Lim Kim Thor
CEO