

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 FY11	2Q FY10	% +/(-)	1H FY11	1H FY10	% +/(-)
Revenue	44,134	43,843	1%	90,089	80,760	12%
Changes in inventories	3,148	(2,837)	NM	(9,959)	(10,780)	-8%
Purchases of inventories	(40,735)	(32,557)	25%	(67,115)	(55,660)	21%
Gross profit	6,547	8,449	-23%	13,015	14,320	-9%
Other operating income	216	416	-48%	351	578	-39%
Staff cost	(1,911)	(2,001)	-4%	(4,093)	(4,123)	-1%
Depreciation	(378)	(413)	-8%	(754)	(837)	-10%
Other operating expenses	(2,439)	(2,720)	-10%	(4,429)	(3,992)	11%
Finance cost - net	251	32	684%	409	84	387%
Profit before tax	2,286	3,763	-39%	4,499	6,030	-25%
Income tax expense	(389)	(640)	-39%	(765)	(1,019)	-25%
Total profit	1,897	3,123	-39%	3,734	5,011	-25%
Other comprehensive income/(expenses) :						
Currency translation differences arising from consolidation	(99)	(51)	94%	(111)	(56)	98%
Fair value (losses)/gains on available-for-sale financial assets	(39)	220	NM	88	531	-83%
Total comprehensive income	1,759	3,292	-47%	3,711	5,486	-32%
Profit attributable to Equity holders of the Company	1,897	3,123	-39%	3,734	5,011	-25%
Total comprehensive income attributable to						
Equity holders of the Company	1,759	3,292	-47%	3,711	5,486	-32%
Earnings per share based on profit attributable to equity shareholders:						
- Basic (cent)	0.30	0.50		0.60	0.80	
- Diluted (cent)	0.30	0.50		0.60	0.80	

Note : NM : not meaningful

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

	GROUP (S\$'000)			
	2Q FY11	2Q FY10	1H FY11	1H FY10
Dividend income	143	144	192	191
Interest income	98	111	183	228
Profit on sale of property, plant and equipment - net	9	-	9	-
Foreign exchange loss	(564)	(393)	(966)	(600)
Finance cost-net is made up of :				
Interest expense	(42)	(21)	(127)	(61)
Foreign exchange gain arising from borrowings (trust receipts)	293	53	536	145
Bad debts recovered	4	-	4	-
Allowance for trade receivables	(112)	-	(112)	-
Write-back of inventory write-down	-	1,470	-	2,470
Inventories written off	5	-	5	-

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	
	31.12.2010	30.06.2010	31.12.2010	30.06.2010
	\$'000	\$'000	\$'000	\$'000
Current Assets				
Cash and cash equivalents	73,793	77,814	41,103	49,822
Trade and other receivables	42,231	53,789	6,987	7,836
Inventories	59,823	69,782	32,815	34,600
Other current assets	307	149	108	67
Due from subsidiaries	-	-	6,587	5,386
	176,154	201,534	87,600	97,711
Asset held for sale	6	-	-	-
Non Current Assets				
Available-for-sale financial assets	8,871	8,783	8,871	8,783
Investment in club membership	59	45	-	-
Investment in subsidiaries	-	-	9,457	9,457
Loan to a subsidiary	-	-	37,327	32,059
Property, plant and equipment	28,596	24,761	383	427
Investment properties	14,257	14,313	6,839	6,856
Goodwill	4,630	4,630	-	-
Deferred income tax assets	-	-	-	-
	56,413	52,532	62,877	57,582
Total Assets	232,573	254,066	150,477	155,293
Current Liabilities				
Trade and other payables	12,609	28,226	3,380	2,673
Derivative financial instruments	-	37	-	10
Current income tax liabilities	1,620	1,895	671	652
Borrowings	12,924	18,602	884	905
Due to subsidiaries - trade	-	-	-	4,236
	27,153	48,760	4,935	8,476
Non Current Liabilities				
Borrowings	1,237	1,731	-	-
Provision for directors' retirement gratuity	1,093	1,062	1,093	1,062
Deferred income tax liabilities	843	843	527	527
	3,173	3,636	1,620	1,589
Total Liabilities	30,326	52,396	6,555	10,065
Net Assets	202,247	201,670	143,922	145,228
Share capital and reserves				
Share capital	107,485	107,485	107,485	107,485
Treasury shares	(800)	(788)	(800)	(788)
Capital reserves	(1,216)	(1,216)	707	707
Currency translation reserves	(706)	(595)	-	-
Fair value reserves	1,030	942	1,030	942
Retained earnings	96,454	95,842	35,500	36,882
	202,247	201,670	143,922	145,228

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 31.12.2010		As at 30.6.2010	
Secured	Unsecured	Secured	Unsecured
990	11,934	997	17,605

Amount repayable after one year ('000)

As at 31.12.2010		As at 30.6.2010	
Secured	Unsecured	Secured	Unsecured
1,237	-	1,731	-

Details of any collateral

The secured group borrowings and debt securities refer to a legal mortgage secured on a subsidiary's leasehold property.

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 FY11	2Q FY10	1H FY11	1H FY10
Cash flow from operating activities				
Total profit	1,897	3,123	3,734	5,011
Adjustments for:				
- Income tax expense	389	640	765	1,019
- Property, plant and equipment and investment properties				
- Depreciation	378	413	754	837
- Net gain on disposal	(9)	-	(9)	-
- Impairment loss on available-for-sale financial assets	-	(140)	-	(140)
- Interest income	(98)	(111)	(183)	(228)
- Interest expense	42	21	127	61
- Dividend income	(143)	(144)	(192)	(191)
	2,456	3,802	4,996	6,369
Change in working capital				
- Inventories	(3,748)	2,837	9,959	10,780
- Trade and other receivables	8,071	(5,340)	11,558	19,932
- Derivative financial instruments	(30)	-	(37)	(413)
- Trade and other payables	(3,413)	5,762	(15,617)	(6,749)
- Provision for director retirement gratuity	15	15	31	31
- Other current assets	118	59	(158)	(154)
Cash generated from operations	3,469	7,135	10,732	29,796
Income taxes paid	(617)	(890)	(1,040)	(1,762)
Interest received	98	111	183	228
Net cash provided by operating activities	2,950	6,356	9,875	28,262
Cash flows from investing activities				
Property, plant & equipment :				
- Purchases	(1,434)	(1)	(4,539)	(1)
- Proceeds from disposal	9	-	9	-
Dividends received	143	144	192	191
Net cash (used in)/from investing activities	(1,282)	143	(4,338)	190
Cash flows from financing activities				
Purchase of treasury shares	-	(430)	(12)	(430)
Proceeds from trust receipts	19,727	4,689	43,604	21,302
Repayment of trust receipts	(10,524)	(4,642)	(49,275)	(24,025)
Dividend paid to shareholders	(3,122)	(6,269)	(3,122)	(6,269)
Repayment of term loan	(248)	(247)	(501)	(501)
Repayment of finance lease obligations	-	-	-	-
Interest paid	(42)	(21)	(127)	(61)
Net cash from/(used in) financing activities	5,791	(6,920)	(9,433)	(9,984)
Net increase/(decrease) in cash and cash equivalents	7,459	(421)	(3,896)	18,468
Cash and cash equivalents at beginning of the financial period	66,432	72,455	77,814	53,567
Effects of currency translation on cash and cash equivalents	(98)	(55)	(125)	(56)
Cash and cash equivalents at end of the financial period	73,793	71,979	73,793	71,979

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 Earnings	Total Equity
Group	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2010	107,485	(788)	(1,216)	(595)	942	95,842	201,670
Purchase of treasury shares	-	(12)	-	-	-	-	(12)
Total comprehensive income for 1 st quarter	-	-	-	(12)	127	1,837	1,952
At 30 September 2010	107,485	(800)	(1,216)	(607)	1,069	97,679	203,610
Dividend paid	-	-	-	-	-	(3,122)	(3,122)
Total comprehensive income for 2 nd quarter	-	-	-	(99)	(39)	1,897	1,759
At 31 December 2010	107,485	(800)	(1,216)	(706)	1,030	96,454	202,247
Group							
At 1 July 2009	107,485	-	(1,216)	(774)	473	94,915	200,883
Total comprehensive income for 1 st quarter	-	-	-	(5)	311	1,888	2,194
At 30 September 2009	107,485	-	(1,216)	(779)	784	96,803	203,077
Purchase of treasury shares	-	(430)	-	-	-	-	(430)
Dividend paid	-	-	-	-	-	(6,269)	(6,269)
Total comprehensive income for 2 nd quarter	-	-	-	(51)	220	3,123	3,292
At 31 December 2009	107,485	(430)	(1,216)	(830)	1,004	93,657	199,670

	Share Capital	Treasury Shares	Capital Reserves	Currency Translation Reserves	Fair Value Reserves	Retained Earnings	Total Equity
Company	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2010	107,485	(788)	707	-	942	36,882	145,228
Purchase of treasury shares	-	(12)	-	-	-	-	(12)
Total comprehensive income for 1 st quarter	-	-	-	-	127	731	858
At 30 September 2010	107,485	(800)	707	-	1,069	37,613	146,074
Dividend paid	-	-	-	-	-	(3,122)	(3,122)
Total comprehensive income for 2 nd quarter	-	-	-	-	(39)	1,009	970
At 31 December 2010	107,485	(800)	707	-	1,030	35,500	143,922
Company							
At 1 July 2009	107,485	-	707	-	473	42,246	150,911
Total comprehensive income for 1 st quarter	-	-	-	-	311	720	1,031
At 30 September 2009	107,485	-	707	-	784	42,966	151,942
Purchase of treasury shares	-	(430)	-	-	-	-	(430)
Dividend paid	-	-	-	-	-	(6,269)	(6,269)
Total comprehensive income for 2 nd quarter	-	-	-	-	220	2,121	2,341
At 31 December 2009	107,485	(430)	707	-	1,004	38,818	147,584

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

Under the Share buyback mandate approved by shareholders, the Company purchased a total of 2,853,000 shares for \$800K by way of on market purchase on the Singapore Exchange Securities Trading Limited.

Treasury Shares	No. of shares	\$'000
Balance as at 30 Jun 2010	2,803,000	788
Purchases	50,000	12
Balance as at 31 Dec 2010	2,853,000	800

(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.

	31.12.10	30.06.10
Number of shares in issue	624,517,610	624,567,610

(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 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.

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 31.12.10 (note 1)	3 months ended 31.12.09	6 months ended 31.12.10 (note 1)	6 months ended 31.12.09
Earnings per share based on profit attributable to equity shareholders:				
(a) Basic (cent)	0.30	0.50	0.60	0.80
(b) Diluted (cent)	0.30	0.50	0.60	0.80

Note 1 : The basic and diluted earnings per share is calculated based on the weighted average number of ordinary shares of 624,519,784 (31.12.09: 626,876,001) 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	
	31.12.10	30.06.10	31.12.10	30.06.10
Net Asset Value per ordinary share (cents)	32.38	32.29	23.05	23.25

The net asset value per ordinary share is calculated based on the number of ordinary shares in issue of 624,517,610 at the end of the period (30.06.10: 624,567,610).

- 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				
	2QFY11	1QFY11	2QFY10	1HFY11	1HFY10
Revenue	44,134	45,955	43,843	90,089	80,760
Gross Profit	6,547	6,468	8,449	13,015	14,320
GP %	14.8%	14.1%	19.3%	14.4%	17.7%

Revenue for 2QFY11 was \$44.1M, representing a slight reduction of approximately 4% over 1QFY11 of \$46.0M. The decrease in revenue was attributable to soft market demand and slower sales during the festive month of December.

However turnover showed a marginal improvement of 0.7% over the reported turnover of \$43.8M for 2QFY10. Half year turnover for FY2011 increased by 11.6% to \$90.1M from \$80.8M recorded in the corresponding half year for FY2010. The increase was mainly a reflection of the recovery from the 2008 global financial crisis.

Gross profit for 2QFY11 declined 23% from \$8.4M in 2QFY10 to \$6.5M (1QFY11: \$6.5M). The weaker gross profit and margin for 2QFY11 when compared with 2QFY10 were due to a higher proportion of the sales being made up of the lower margin structural steel products and the write back of \$1.5M in 2QFY10 in provisions for the impairment in inventory value.

Staff cost, Depreciation, Other operating expenses and Finance cost

The decline in staff cost in 2QFY11 to \$1.9M from \$2.0M (2QFY10) was mainly due to lower provision of incentives and lower headcount.

During the period, depreciation dropped slightly from \$413K in 2QFY10 to \$378K in 2QFY11 as one of the Group's warehouses was decommissioned for redevelopment into a better equipped storage facility.

Other operating expenses for 2QFY11 decreased to \$2.4M from \$2.7M (2QFY10) as the Group continued with the various cost cutting measures implemented since 2009.

Finance cost-net in 2QFY11 was made up of interest expense of \$42K (2QFY10: \$21K) which was offset by an exchange gain of \$293K (2QFY10: \$53K) resulting in a net gain of \$251K compared to a gain of \$32K for 2QFY10. The Group incurred a relatively low interest expense as it continues with efforts to pay down its borrowings. Part of these borrowings were in the form of US dollar denominated trust receipts and the Group benefitted from the weakening of the US dollar against the Singapore dollar.

Profit attributable to equity holders of the Company

Total profit after tax for 2QFY11 declined 39% to \$1.9M from \$3.1M for 2QFY10 in tandem with the decrease in gross profit margin.

REVIEW OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

Current assets and current liabilities

During the quarter, the Group kept up its collection effort which resulted in its balance of trade and other receivables decreasing to \$42.2M from \$53.8M (4QFY10).

With the Group exercising caution in inventory replenishment and selling from its inventory holding, its inventory balance further decreased to \$59.8M from \$69.8M (4QFY10).

Trade and other payables decreased to \$12.6M from \$28.2M (4QFY10) while borrowings also reduced to \$14.2M from \$20.3M (4QFY10) as the Group made fewer inventory purchases and paid its debts as they fell due.

The Group posted a healthy level of current ratio of 3.1 times (4QFY10: 3.8 times) and a net cash position for the quarter.

Asset held for sale

During the quarter, the Group entered into an agreement to sell one of its properties to a third party for \$3.45M subject to relevant authorities' approval. Accordingly the Group had reclassified the carrying amount of the property as asset held for sale.

Non current assets and non current liabilities

The Group's available-for-sale assets of \$8.9M (4QFY10: \$8.8M), marked to market as at 31 December 2010, were slightly higher as the stock market remained buoyant during the quarter.

Share capital and reserves

Fair Value Reserves increased to \$1.0M from \$0.9M due to increases in the market values of the Group's available-for-sale financial assets as at 31 December 2010.

Cash flow

The Group continued to generate a net cash inflow from operating activities during the quarter through sustained collection effort on its trade receivables.

Cash disbursed for investing activities amounted to \$1.3M in 2QFY11 as compared to an inflow of \$143K in 2QFY10 as a result of the ongoing redevelopment of one of its warehouses.

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 soft in the last 6 months and this is expected to continue in the first 2 months of the new calendar year. However the Group expects activities to pick up after the Chinese New Year holidays. There have been more announcements made by shipyards on securing new orders lately and this will provide a boost to the demand for steel products in the coming quarters. Ongoing infrastructure projects will provide the continuous support for the Group in the near term.

The recent flooding of the Australia coal mining region which is one of the world's major suppliers of coal, will likely cause shortage in the short term. As coal is needed in the production of steel, any disruptions or shortage in the supply of coal will curtail the production of steel. Together with the already high iron ore prices, it is expected that steel prices will face upward adjustment pressure in the coming months.

With more ship and rig building projects in the pipeline, demand for steel product is expected to firm up. As inventory balance held by customers diminishes and faced with the prospect of rising steel prices, customers may feel the need to increase their purchasing activities to meet their requirement in the coming quarters which augurs well for the Group.

The Group will continue to remain vigilant in controlling costs, improving efficiency and delivering value-added services to our customers which will enhance our long term competitiveness.

The Board of Directors is cautiously optimistic about the Group's performance in the second half of its financial year.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? Yes

Name of Dividend Tax exempt (one-tier)	Interim
Dividend Type	Cash
Dividend Amount per share	0.5 cent

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? Yes

Name of Dividend Tax exempt (one-tier)	Interim
Dividend Type	Cash
Dividend Amount per share	0.5 cent

(c) Date payable

The Dividend will be paid on 18 April 2011.

(d) Books closure date

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of Hupsteel Limited ("the Company") will be closed from 5.00 p.m. 4th April 2011 to 5th April 2011 (both dates inclusive) for the preparation of dividend warrants for one-tier tax-exempt interim dividend.

Duly completed registrable transfers received by the company's share Registrar, Trico Barbinder Share Registration Services, 8 Cross Street #11-00, PWC Building, Singapore 048424 up to 5.00 p.m. on 4th April 2011 will be registered to determine shareholders' entitlements to the said dividends. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 4th April 2011 will be entitled to the said dividend.

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

Not applicable.

**PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)**

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year

Not applicable.

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

Not applicable.

15. A breakdown of sales

Not applicable.

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year

Not applicable.

BY ORDER OF THE BOARD

Tan Cher Liang
Secretary
10 February 2011

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 2QFY11 financial results to be false or misleading in any material aspects.

On behalf of the Board of Directors

Lim Kim Thor
CEO & Managing Director
10 February 2011

Lim Boh Chuan
Deputy MD