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) 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)		
	1QFY07 30.09.06	1QFY06 30.09.05	% +/(-)
Revenue	55,289	44,522	24%
Changes in inventories	7,691	(337)	NM
Purchases of inventories	(48,943)	(35,814)	37%
Gross profit	14,037	8,371	68%
Other operating income	1,321	232	469%
Staff costs	(2,493)	(2,012)	24%
Depreciation of property, plant and equipment	(323)	(322)	0%
Other operating expenses	(2,522)	(1,567)	61%
Finance cost - net	(231)	(397)	-42%
Profit before tax	9,789	4,305	127%
Income tax expense	(2,005)	(864)	132%
Total profit	7,784	3,441	126%
Attributable to:			
Equity holders of the Company	7,784	3,441	126%
Earnings per share based on profit attributable to equity shareholders:			
- Basic (cent) - see para 6	2.15	0.95	
- Diluted (cent) - see para 6	1.84	0.95	

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

	GROUP (S$'000)	
	1QFY07 30.09.06	1QFY06 30.09.05
Investment income	929	76
Other income including interest income	356	156
Loss on sale of property, plant and equipment	(24)	-
Foreign exchange gain /(loss)	239	28
Under provision of tax in in respect of prior years	-	(81)
Finance cost-net is made up of :		
Interest expense	(312)	(502)
Foreign exchange (loss)/gain - net	81	105
Allowance for trade receivables	(102)	(16)
Write-back of allowance for trade receivables	5	25
Write-back/(Allowance) for slow and obsolete inventories	1	422
Inventories written off	-	(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	
	30.09.2006	30.06.2006	30.09.2006	30.06.2006
	$'000	$'000	$'000	$'000
Current Assets				
Cash and cash equivalents	17,898	11,200	7,520	4,135
Trade and other receivables	55,562	53,629	17,892	19,815
Inventories	52,334	44,425	37,951	32,767
Other current assets	637	214	371	77
Due from subsidiaries	-	-	4,293	2,853
	126,431	109,468	68,027	59,647
Non Current Assets				
Other receivables	4	6	-	-
Available-for-sale financial assets	8,863	11,362	7,352	9,930
Club membership	60	60	-	-
Investment in subsidaries	-	-	9,457	9,457
Loan to a subsidiary	-	-	35,223	34,258
Property, plant and equipment	32,926	32,949	7,946	8,391
Goodwill	4,630	4,630	-	-
Deferred tax assets	38	38	-	-
	46,521	49,045	59,978	62,036
Total Assets	**172,952**	**158,513**	**128,005**	**121,683**
Current Liabilities				
Trade and other payables	12,300	10,240	6,579	5,197
Current tax liabilities	4,807	3,803	3,159	2,844
Borrowings	21,751	17,669	4,818	2,963
Due to subsidiaries - trade	-	-	25	301
	38,858	31,712	14,581	11,305
Non Current Liabilities				
Borrowings	29	33	-	-
Provision for directors' retirement gratuity	835	818	834	818
Deferred tax liabilities	135	135	27	27
	999	986	861	845
Total Liabilities	**39,857**	**32,698**	**15,442**	**12,150**
Net Assets	**133,095**	**125,815**	**112,563**	**109,533**
Share capital and reserves				
Share capital	59,317	59,317	59,317	59,317
Capital reserves	(477)	(477)	1,430	1,430
Foreign currency translation reserve	(603)	(598)	-	-
Fair value reserve	1,418	1,917	948	1,526
Retained earnings	73,440	65,656	50,868	47,260
Interests of shareholders of the Company	**133,095**	**125,815**	**112,563**	**109,533**

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 30.9.2006		As at 30.6.2006	
Secured	Unsecured	Secured	Unsecured
19	21,732	19	17,650

Amount repayable after one year ('000)

As at 30.9.2006		As at 30.6.2006	
Secured	Unsecured	Secured	Unsecured
29	-	33	-

Details of any collateral

The secured group borrowings and debt securities refer to motor vehicles bought under hire purchase.

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)	
	1QFY07 30.09.06	1QFY06 30.09.05
Cash flow from operating activities		
Profit before tax	9,789	4,305
Adjustments for:		
Exchange differences		
Provision for directors' retirement gratuity	17	16
Property, plant and equipment		
- depreciation	323	322
- loss on disposal	24	-
Allowance for/(write-back) of :		
- doubtful trade receivables	102	16
- slow moving inventories	(1)	(422)
Inventories written off	-	8
Allowance for trade receivables written back	(5)	(25)
Interest income	(53)	(59)
Interest expense	312	502
Dividend income	(929)	(30)
Operating cash flow before working capital changes	9,579	4,633
Changes in working capital:		
Inventories	(7,908)	3,069
Trade and other receivables	(2,048)	10,240
Other current assets	(423)	148
Trade payables	832	2,063
Other payables and accruals	1,206	(227)
Cash generated from operations	1,238	19,926
Income taxes paid	(999)	(1,671)
Interest paid	(290)	(599)
Interest received	49	13
Net cash (used in)/generated from operating activities	(2)	17,669
Cash flows from investing activities		
Property, plant and equipment :		
- purchases	(348)	(294)
- proceeds from disposal	24	-
Repayment of staff loans	22	5
Investments		
- proceeds from disposal	2,000	-
Dividend received		
- other quoted investments	929	30
Net cash generated from/(used in) investing activities	2,627	(259)
Cash flow from financing activities		
Net proceeds from issue of shares	-	-
Draw down of Bank borrowings	4,082	(29,435)
Increase in finance lease obligation	-	-
Payment under finance lease obligations	(4)	(6)
Net cash generated from/(used in) financing activities	4,078	(29,441)
Net exchange differences arising from translation	-	35
Net increase/(decrease) in cash and cash equivalents	6,698	(11,996)
Cash and cash equivalents at beginning of period	11,200	19,413
Cash and cash equivalents at end of period	17,898	7,417

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	Share Premium	Revaluation Reserves	Translation Reserve	Fair Value Reserve	Retained Profits	Minority Interest	Total
Group	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2006	59,317	-	(477)	(598)	1,917	65,656	-	125,815
Currency translation differences	-	-	-	(5)	-	-	-	(5)
Fair value gains on available-for-sale financial assets	-	-	-	-	241	-	-	241
Transfer in fair value reserves upon realisation of available-for-sales financial assets	-	-	-	-	(740)			(740)
Net profit for 1st quarter	-	-	-	-	-	7,784	-	7,784
At 30 September 2006	**59,317**	**-**	**(477)**	**(603)**	**1,418**	**73,440**	**-**	**133,095**
Group								
At 1 July 2005	30,154	29,163	(477)	(540)	1,247	57,163	34	116,744
Currency translation differences	-	-	-	35	-	-	-	35
Fair value gains on available-for-sale financial assets	-	-	-	-	375	-	-	375
Net profit for 1st quarter	-	-	-	-	-	3,441	-	3,441
At 30 September 2005	30,154	29,163	(477)	(505)	1,622	60,604	34	120,595

	Share Capital	Share Premium	Revaluation Reserves	Translation Reserve	Fair Value Reserve	Retained profits	Total
Company	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2006	59,317	-	1,430	-	1,526	47,260	109,533
Fair value gains on available-for-sale financial assets	-	-	-	-	162	-	162
Transfer in fair value reserves upon realisation of available-for-sales financial assets	-	-	-	-	(740)	-	(740)
Net profit for 1st quarter	-	-	-	-	-	3,608	3,608
At 30 September 2006	**59,317**	**-**	**1,430**	**-**	**948**	**50,868**	**112,563**
Company							
At 1 July 2005	30,154	29,163	1,430	-	1,044	42,695	104,486
Fair value gains on available-for-sale financial assets	-	-	-	-	266	-	266
Net profit for 1st quarter	-	-	-	-	-	2,917	2,917
At 30 September 2005	30,154	29,163	1,430	-	1,310	45,612	107,669

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

	30.09.06	30.09.05
	('000)	('000)
Number of shares that may be issued upon exercising all outstanding options	72	127

On 29 Aug 06, the Company announced a rights issue of 1 share for every 4 existing shares and a maximum number of 90,482,698 right shares are to be issued if they are fully subscribed for.

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 except as disclosed in Note 5.

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

In 2006, the Group and the Company adopted the amendments to the Financial Reporting Standards (FRS) below.

FRS 19	Employee Benefits
FRS 21	Effects of changes in Foreign Exchange Rates
FRS 32	Financial Instruments : Disclosure and Presentation
FRS 39	Financial Instruments : Recognition and Measurement

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	
	1QFY07 30.09.06	1QFY06 30.09.05
Earnings per share based on profit attributable to equity shareholders:		
(a) Basic (cent)	2.15	0.95 (note 1)
(b) Diluted (cent)	1.84 (note 2)	0.95 (note 1)

Note 1: The basic and diluted EPS for the 3 months ended 30.09.05 had been re-stated following the completion of a bonus issue of shares in January 06.
Note 2 : On 29 Aug 06, the Company announced a rights issue of 1 share for every 4 existing shares. The potential dilutive effect on the EPS for 1Q07 is calculated based on the weighted average number of shares of 422,877,000.

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	
	30.09.06	30.06.06	30.09.06	30.06.06
Net Asset Value per ordinary share (cents)	36.78	34.77	31.11	30.27

Note : On 29 Aug 06, the Company announced a rights issue of 1 share for every 4 existing shares and the maximum number of shares to be issued is 90,482,698. The number of shares in issue as at 30.06.06 was 361,858,790.

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 RESULTS FOR PERIOD ENDED 30 SEPTEMBER 2006 (1Q07) vs QUARTER ENDED 30 SEPTEMBER 2005 (1Q06)

Turnover

Revenue for the quarter ended 30 September 2006 rose 24% to S$55.3m from $44.5m while gross profit rose 68% from $8.3m to $14.0m when compared to the previous corresponding quarter. The increase in revenue and gross profit was due mainly to better selling prices and strong demand for the Group's steel products.

Other operating income of $1.3m compared to $0.2m was due to a one time non recurring receipt arising from the early redemption of a bond held by the Company.

Staff costs, Depreciation, Other operating expenses and Finance cost

Staff costs rose 24% to $2.5m from $2.0m due to higher provision for incentives arising from better profit and higher sales.

Other operating expenses rose 61% to $2.5m from $1.6m was in tandem with higher sales. The lower amount registered in the previous corresponding quarter was also caused by a write-back of allowance for slow and obsolete inventories of $0.4m.

Net finance cost of $231k was 42% lower than $397k incurred previously due to lower balance of borrowings of $21.8m compared to $30.0m recorded in the last corresponding period. These borrowings were mainly made up of trust receipts incurred in the normal course of business. The lower balance was also due to foreign exchange gain (realised and unrealised) arising from the weakening of the USD in the quarter ended 30 September 2006.

Profitability review

Profit after tax rose 126% to $7.8m compared to $3.4m in the corresponding quarter was mainly due to better selling price and higher volume. The higher profit was boosted by a one time non recurring receipt of $0.9m arising from the early redemption of a bond held by the Company.

REVIEW OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2006

Non current assets

The balance of available-for-sale financial assets decreased to $8.9m from $11.4m was due to the redemption of a bond that the Company held earlier.

Current assets and current liabilities

Inventories balance rose to $52.3m from $44.4m reflected the Group's effort to replenish and maintain a comprehensive range of products to meet the needs of its customers.

Trade and other receivables rose slightly to $55.6m from $53.6m as a result of higher sales registered in the quarter ended 30 September 2006.

Trade payables and other payables also increased from $10.2m to $12.3m in line with higher inventories holding.

Borrowings increased to $21.8m from $17.7m due to higher inventories purchases and were mainly made up of trust receipts.

Share capital and reserves

The balance of fair value reserve was lowered to $1.4m from $1.9m mainly due to the redemption of a bond held by the company.

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 the Group's products is expected to remain strong for the rest of the calendar year due to the sustained activities in the shipbuilding, oil and gas sectors. The Group will also expect to supply to construction projects expected to begin in the coming months like the Integrated Resorts.

Margin for its steel plates which had been recovering since the last quarter is expected to remain stable in the coming months. With the anticipated strong demand, margins for its other steel products are also expected to remain stable for the rest of the calendar year.

The Group will ensure its purchasing activities will provide it with an adequate supply and a comprehensive range of products to meet market demands.

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.

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
Julie Koh Ngin Joo
Secretary
7 November 2006

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 has come to the attention of the Board of Directors of the Company which may render the 1Q07 financial results to be false or misleading.

On behalf of the Board of Directors

Lim Kim Thor
CEO
7 November 2006

Lim Boh Chuan
Deputy Managing Director