

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 FY09	2Q FY08	% + / (-)	1H FY09	1H FY08	% + / (-)
Revenue	92,494	100,018	-8%	204,198	171,742	19%
Changes in inventories	2,998	23,078	NM	(4,787)	21,807	NM
Purchases of inventories	(80,001)	(106,038)	-25%	(155,585)	(160,093)	-3%
Gross profit	15,491	17,058	-9%	43,826	33,456	31%
Other operating income	731	672	9%	941	802	17%
Staff cost	(2,545)	(3,164)	-20%	(6,084)	(6,050)	1%
Depreciation of property, plant & equipment	(426)	(377)	13%	(844)	(756)	12%
Other operating expenses	(9,107)	(3,519)	159%	(18,494)	(7,408)	150%
Finance cost - net	(2,305)	(596)	287%	(3,109)	(997)	212%
Profit before tax	1,839	10,074	-82%	16,236	19,047	-15%
Income tax expense	(307)	(1,813)	-83%	(2,760)	(3,428)	-19%
Total profit	1,532	8,261	-81%	13,476	15,619	-14%
Attributable to:						
Equity holders of the Company	1,532	8,261	-81%	13,476	15,619	-14%
Earnings per share based on profit attributable to equity shareholders:						
- Basic (cent)	0.24	1.41		2.15	2.67	
- Diluted (cent)	0.24	1.41		2.15	2.67	

Note : NM : not meaningful

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

	GROUP (S\$'000)			
	2Q FY09	2Q FY08	1H FY09	1H FY08
Dividend income	144	145	155	166
Other income including interest income	52	372	74	405
Profit/(loss) on sale of property, plant and equipment - net	-	(1)	1	(1)
Foreign exchange gain/(loss)	959	(184)	773	(848)
Finance cost-net is made up of :				
Interest expense – trust receipts	(624)	(808)	(1,078)	(1,219)
Foreign exchange (loss)/gain arising from borrowings - trust receipts	(1,681)	212	(2,031)	222
Allowance for trade receivables	-	(23)	-	(2)
Write-back of allowance for trade receivables	25	-	25	-
Provision for diminution in inventory value	(5,700)	-	(12,196)	-
Inventories written-off	-	(1)	-	(1)
Impairment loss on available-for-sale financial assets	(496)	-	(496)	-

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	
	31.12.2008 \$'000	30.06.2008 \$'000	31.12.2008 \$'000	30.06.2008 \$'000
Current Assets				
Cash and cash equivalents	21,294	27,442	8,955	5,347
Trade and other receivables	85,054	109,045	39,145	44,360
Inventories	132,935	137,722	63,567	61,770
Other current assets	405	267	111	65
	239,688	274,476	111,778	111,542
Non Current Assets				
Financial assets, available-for-sale	7,591	7,375	7,591	7,375
Investment in club membership	58	58	-	-
Investment in subsidiaries	-	-	9,457	9,457
Loan to subsidiaries	-	-	31,723	32,964
Investment properties	14,501	14,563	6,908	6,925
Property, plant and equipment	24,132	24,279	774	877
Goodwill	4,630	4,630	-	-
Deferred income tax assets	80	80	-	-
	50,992	50,985	56,453	57,598
Total Assets	290,680	325,461	168,231	169,140
Current Liabilities				
Trade and other payables	21,364	42,731	14,407	14,864
Current income tax liabilities	6,994	9,501	5,120	3,504
Borrowings	57,235	64,669	2,328	3,674
	85,593	116,901	21,855	22,042
Non Current Liabilities				
Borrowings	3,217	3,712	-	-
Provision for directors' retirement gratuity	971	940	971	940
Deferred income tax liabilities	862	862	699	699
	5,050	5,514	1,670	1,639
Total Liabilities	90,643	122,415	23,525	23,681
Net Assets	200,037	203,046	144,706	145,459
Share capital and reserves				
Share capital	107,485	107,485	107,485	107,485
Capital reserves	(1,259)	(1,259)	665	665
Currency translation reserves	(741)	(728)	-	-
Fair value reserves	221	1,009	221	1,009
Retained earnings	94,331	96,539	36,335	36,300
Interests of shareholders of the Company	200,037	203,046	144,706	145,459

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 31.12.2008		As at 30.6.2008	
Secured	Unsecured	Secured	Unsecured
994	56,241	1,023	63,646

Amount repayable after one year ('000)

As at 31.12.2008		As at 30.6.2008	
Secured	Unsecured	Secured	Unsecured
3,217	-	3,712	-

Details of any collateral

The secured group borrowings and debt securities refer to plant and machinery 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)			
	2Q FY09	2Q FY08	1H FY09	1H FY08
Cash flow from operating activities				
Net Profit	1,532	8,261	13,476	15,619
Adjustments for:				
Income tax expense	307	1,813	2,760	3,428
Property, plant and equipment and investment properties:				
- depreciation	426	377	844	756
- (gain)/loss on disposal	-	1	(1)	1
Impairment loss on available-for-sale financial assets	496	-	496	-
Interest income	(52)	(372)	(74)	(405)
Interest expense	624	808	1,078	1,219
Dividend income	(144)	(145)	(155)	(166)
Operating cash flow before working capital changes	3,189	10,743	18,424	20,452
Changes in working capital:				
Inventories	(2,998)	(23,071)	4,787	(21,800)
Trade and other receivables	5,987	(32,889)	23,991	(29,917)
Currency translation differences	7	(74)	(13)	(74)
Trade and other payables	4,114	3,948	(21,336)	(7,763)
Other current assets	(18)	261	(138)	(77)
Cash generated from/(used in) operations	10,281	(41,082)	25,715	(39,179)
Income taxes paid	(4,087)	(2,477)	(5,267)	(3,965)
Interest received	52	376	74	405
Net cash generated from/(used in) operating activities	6,246	(43,183)	20,522	(42,739)
Cash flows from investing activities				
Property, plant and equipment:				
- purchases	(281)	(50)	(695)	(75)
- proceeds from disposal	-	-	61	-
Financial assets, available-for-sale				
- purchases	-	-	(1,500)	-
- proceeds from disposal	-	39	-	39
Dividends received	144	145	155	166
Net cash (used in)/generated from investing activities	(137)	134	(1,979)	130
Cash flow from financing activities				
Proceeds from issuance of shares	-	-	-	26,993
Proceeds from trust receipts	73,709	40,372	154,234	88,157
Repayment of trust receipts	(71,310)	4,521	(161,639)	(59,523)
Dividend paid to shareholders	(15,684)	(6,174)	(15,684)	(8,029)
Repayment of term loan	(248)	-	(513)	-
Repayment of finance lease obligations	(6)	(4)	(11)	(10)
Interest paid	(624)	(565)	(1,078)	(918)
Net cash (used in)/generated from financing activities	(14,163)	38,150	(24,691)	46,670
Net (decrease)/increase in cash and cash equivalents	(8,054)	(4,899)	(6,148)	4,061
Cash and cash equivalents at beginning of period	29,348	27,177	27,442	18,217
Cash and cash equivalents at end of period	21,294	22,278	21,294	22,278

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	Capital Reserves	Currency Translation Reserves	Fair Value Reserves	Retained Profits	Total
Group	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2008	107,485	(1,259)	(728)	1,009	96,539	203,046
Currency translation differences	-	-	(20)	-	-	(20)
Fair value losses on available-for-sale financial assets	-	-	-	(596)	-	(596)
Net profit for 1 st quarter	-	-	-	-	11,944	11,944
At 30 September 2008	107,485	(1,259)	(748)	413	108,483	214,374
Currency translation differences	-	-	7	-	-	7
Fair value losses on available-for-sale financial assets	-	-	-	(192)	-	(192)
Net profit for 2 nd quarter	-	-	-	-	1,532	1,532
Dividend paid	-	-	-	-	(15,684)	(15,684)
At 31 December 2008	107,485	(1,259)	(741)	221	94,331	200,037
Group						
At 1 July 2007	68,157	(477)	(506)	1,526	76,428	145,128
Proceeds from shares placement	26,993	-	-	-	-	26,993
Currency translation differences	-	-	(74)	-	-	(74)
Fair value gains on available-for-sale financial assets	-	-	-	54	-	54
Net profit for 1 st quarter	-	-	-	-	7,358	7,358
At 30 September 2007	95,150	(477)	(580)	1,580	83,786	179,459
Fair value loss on available-for-sale financial assets	-	-	-	(303)	-	(303)
Rights issue	12,547	-	-	-	(12,547)	-
Net profit for 2 nd quarter	-	-	-	-	8,261	8,261
Dividend paid	-	-	-	-	(6,174)	(6,174)
At 31 December 2007	107,697	(477)	(580)	1,277	73,326	181,243

	Share Capital	Capital Reserves	Foreign Currency Translation Reserve	Fair Value Reserve	Retained profits	Total
Company	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2008	107,485	665	-	1,009	36,300	145,459
Fair value losses on available-for-sale financial assets	-	-	-	(596)	-	(596)
Net profit for 1 st quarter	-	-	-	-	9,054	9,054
At 30 September 2008	107,485	665	-	413	45,354	153,917
Fair value losses on available-for-sale financial assets	-	-	-	(192)	-	(192)
Net profit for 2 nd quarter	-	-	-	-	6,665	6,665
Dividend paid	-	-	-	-	(15,684)	(15,684)
At 31 December 2008	107,485	665	-	221	36,335	144,706
Company						
At 1 July 2007	68,157	1,430	-	1,526	43,080	114,193
Proceeds from shares placement	26,993					26,993
Fair value gains on available-for-sale financial assets	-	-	-	54	-	54
Net profit for 1 st quarter	-	-	-	-	5,184	5,184
At 30 September 2007	95,150	1,430	-	1,580	48,264	146,424
Fair value loss on available-for-sale financial assets	-	-	-	(303)	-	(303)
Rights issue	12,547	-	-	-	(12,547)	-
Net profit for 2 nd quarter	-	-	-	-	5,042	5,042
Dividend paid	-	-	-	-	(6,174)	(6,174)
At 31 December 2007	107,697	1,430	-	1,277	34,585	144,989

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

On 10 Sept 07, the Company announced a rights issue of 1 share for every 4 existing shares. A total of 125,474,122 right shares at a subscription price of \$0.10 per share were allotted, issued and quoted on the Singapore Exchange Securities - ST on the 6 Dec 2007. Hence the number of issued shares was increased to 627,370,610.

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 31.12.08	3 months ended 31.12.07	6 months ended 31.12.08	6 months ended 31.12.07 (note 1)
Earnings per share based on profit attributable to equity shareholders:				
(a) Basic (cent)	0.24	1.41	2.15	2.67
(b) Diluted (cent)	0.24	1.41	2.15	2.67

Note 1 : On 10 Sept 2007, the Company announced a rights issue of 1 share for every 4 existing shares. The basic and diluted earnings per share is calculated based on the weighted average number of ordinary shares during the period of 567,483,383, which includes the notional bonus element from this rights issue.

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	
	31.12.08	30.06.08	31.12.08	30.06.08
Net Asset Value per ordinary share (cents)	31.88	32.36	23.07	23.19

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 OPERATING PERFORMANCE FOR THE QUARTER ENDED 31 DECEMBER 2008 ('2QFY09') vs QUARTER ENDED 31 DECEMBER 2007 ('2QFY08')

Turnover and Gross profit

Revenue for 2QFY09 declined slightly by 8% to \$92.5M from \$100.0M reported for 2QFY08. The global economic downturn and credit crunch causing demand to shrink and price correction of its steel products contributed to the lower sales recorded for the reporting quarter.

Revenue from the sales of steel plates declined significantly as a result of price correction and drop in customers' demand. However sales of pipes and fittings remained fairly constant during the quarter.

As a result of weak demand and steel price correction, the Group registered a lower gross profit of \$15.5M when compared to \$17.1M reported in the corresponding period. At the same time, gross profit margin had moderated to 16.7% in 2QFY09 from 17.1% in the corresponding period.

Staff costs, Other operating expenses and Finance cost

Staff costs reduced by 20% to \$2.5M from \$3.2M mainly due to tighter control of manpower costs and lower incentives provided for in view of lower profits.

Other operating expenses registered an increase of 159% to \$9.1M from \$3.5M mainly due to the provision of \$5.7M to mark certain categories of inventories to net realizable value in the light of steel price correction, including an impairment loss of \$0.5M taken on the financial assets-for-sale which comprised mainly quoted equities.

Finance cost – net comprised interest expense and foreign exchange loss arising from borrowings. Interest expense of \$624K incurred for 2QFY09 was lower than \$808K reported for 2QFY08 due to lower balance of borrowings outstanding at the end of the period. Foreign exchange loss of \$1.7M arose because certain portion of the trust receipts was maintained in US dollars which strengthened against the S\$ during the quarter. This foreign exchange loss was partially offset by the foreign exchange gain of \$959K arising from receivables denominated in US dollars.

Profit attributable to equity holders of the Company

Profit after tax for 2QFY09 declined 81% to \$1.5M from \$8.3M mainly due to lower revenue and a provision for diminution in inventory value of \$5.7M. The income tax expense for 2QFY09 was lower as it was adjusted to reflect the new tax rate of 17% as announced in the recent budget for the half year ended 31 Dec 08.

Profit after tax for the half year ended 31 Dec 08 only reduced slightly to \$13.5M from \$15.6M reported for the corresponding period.

Cash flow

During the quarter, the Group generated a positive operating cash inflow of \$6.2M which was used towards the payment of dividends of \$15.7M. The Group had a holding of \$21.3M in cash and cash equivalents at the end of 31 Dec 08 with a low net gearing ratio of 0.2.

REVIEW OF FINANCIAL POSITION AS AT 31 DECEMBER 2008

Current assets and current liabilities

Trade and other receivables decreased to \$85.1M from \$109.0M due to slower sales and more concerted effort in debts collection.

Inventory balance reduced slightly to \$132.9M from \$137.7M as the Group scaled back its purchases and sought to hold lower balance in the coming quarters.

Trade and other payables decreased to \$21.4M from \$42.7M while borrowings also reduced to \$57.2M from \$64.7M as the Group made fewer inventory purchases and paid its debts as they fell due.

Share capital and reserves

Fair value reserve arising from available-for-sale financial assets declined to \$221K from \$1.0M due to fall in values of quoted equities.

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

The global economic turmoil and credit crunch not only caused an unusually sharp correction in the steel prices that begun in August 2008 but it had also dampened demand generally. The Group's structural steel business would continue to be affected by low prices and slow demand in the next few quarters.

Demand for pipes and fittings is expected to slow down in the coming quarters as a result of lower oil consumption and prices in addition to slower marine activities amidst the weakening economy. Sale of these products is expected to generate lower revenue due to lower prices and reduced demand.

The Group is likely to benefit from supplying structural steel products to projects recently announced in the 2009 Singapore Budget. However any positive impact from such actions will likely be felt in late 2009 or 2010.

The Group has instituted various cost cutting measures and freeze recruitment to contain its operating costs in respond to the prevailing difficult market conditions. It will continue to step up debt collection effort to further improve its cash position and reduce borrowings by controlling inventory purchases in the coming months.

In view of the bleak economic outlook and low steel prices, business conditions in the next 12 months are expected to be challenging. However, the Group believes that with its extensive experience, strong cash position and prudence in inventory management, it is well positioned to meet these challenges.

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? Yes

Name of Dividend	Interim
Dividend Type	Cash
1 tier Tax Exempt Dividend Amount per share	1 cent per ordinary share

(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

Tan Cher Liang
Secretary
11 February 2009

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 2QFY09 financial results to be false or misleading in any material aspects.

On behalf of the Board of Directors

Lim Kim Thor
CEO & Managing Director
11 February 2009

Lim Boh Chuan
Deputy MD