

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 statement of comprehensive income and comparative statement for the
 corresponding period of the immediately preceding financial year**

The following figures have not been audited or reviewed.

| | GROUP (S\$'000) | | |
|---|--------------------|--------------------|--------------|
| | 1QFY10 30.09.09 | 1QFY09 30.09.08 | % + / (-) |
| Revenue | 36,917 | 111,704 | -67% |
| Changes in inventories | (7,943) | (7,785) | 2% |
| Purchases of inventories | (23,103) | (82,080) | -72% |
| Gross profit | 5,871 | 21,839 | -73% |
| Other operating income | 162 | 210 | -23% |
| Staff costs | (2,122) | (3,539) | -40% |
| Depreciation of property, plant and equipment | (424) | (418) | 1% |
| Other operating expenses | (1,272) | (2,891) | -56% |
| Finance cost - net | 52 | (804) | NM |
| Profit before tax | 2,267 | 14,397 | -84% |
| Income tax expense | (379) | (2,453) | -85% |
| Profit after tax | 1,888 | 11,944 | -84% |
| Other comprehensive income/expenses: | | | |
| Currency translation differences arising from consolidation | (5) | (20) | -75% |
| Fair value gains on available-for-sale financial assets | 311 | (596) | NM |
| Other comprehensive income/expenses, net of tax | 306 | (616) | NM |
| Total comprehensive income | 2,194 | 11,328 | -81% |
| Attributable to: | | | |
| Equity holders of the Company | 1,888 | 11,944 | -84% |
| Earnings per share based on profit attributable to equity shareholders: | | | |
| - Basic (cent) - see section 6 | 0.30 | 1.90 | |
| - Diluted (cent) - see section 6 | 0.30 | 1.90 | |

NM : Not meaningful

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

| | GROUP (S\$'000) | |
|---|--------------------|--------------------|
| | 1QFY10 30.09.09 | 1QFY09 30.09.08 |
| Dividend income | 47 | 11 |
| Interest income | 117 | 22 |
| Profit on sale of property, plant and equipment - net | - | 1 |
| Foreign exchange loss | (207) | (186) |
| Finance cost-net is made up of : | | |
| Interest expense | (40) | (454) |
| Foreign exchange gain/(loss) arising from borrowings (trust receipts) | 92 | (350) |
| Write back of / (allowance for) inventory write-down | 1,000 | (6,496) |

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 | |
|--|----------------------|----------------------|----------------------|----------------------|
| | 30.09.2009 \$'000 | 30.06.2009 \$'000 | 30.09.2009 \$'000 | 30.06.2009 \$'000 |
| Current Assets | | | | |
| Cash and cash equivalents | 72,455 | 53,567 | 50,779 | 26,746 |
| Trade and other receivables | 37,239 | 62,511 | 9,596 | 16,668 |
| Inventories | 59,194 | 67,137 | 37,131 | 41,481 |
| Other current assets | 468 | 255 | 117 | 60 |
| Due from subsidiaries | - | - | 8,688 | 21,353 |
| | 169,356 | 183,470 | 106,311 | 106,308 |
| Non Current Assets | | | | |
| Available-for-sale financial assets | 8,469 | 8,158 | 8,469 | 8,158 |
| Investment in club membership | 58 | 58 | - | - |
| Investment in subsidiaries | - | - | 9,457 | 9,457 |
| Loan to a subsidiary | - | - | 31,128 | 31,590 |
| Property, plant and equipment | 22,675 | 23,073 | 568 | 635 |
| Investment properties | 14,407 | 14,437 | 6,882 | 6,890 |
| Goodwill | 4,630 | 4,630 | - | - |
| Deferred income tax assets | 119 | 29 | - | - |
| | 50,358 | 50,385 | 56,504 | 56,730 |
| Total Assets | 219,714 | 233,855 | 162,815 | 163,038 |
| Current Liabilities | | | | |
| Trade and other payables | 8,400 | 20,911 | 3,457 | 4,095 |
| Derivative financial instruments | - | 413 | - | 413 |
| Current income tax liabilities | 2,528 | 2,960 | 1,786 | 2,243 |
| Borrowings | 1,394 | 4,164 | 397 | 351 |
| Due to subsidiaries - trade | - | - | 3,645 | 3,453 |
| | 12,322 | 28,448 | 9,285 | 10,555 |
| Non Current Liabilities | | | | |
| Borrowings | 2,468 | 2,722 | - | - |
| Provision for directors' retirement gratuity | 1,017 | 1,001 | 1,017 | 1,001 |
| Deferred income tax liabilities | 830 | 801 | 571 | 571 |
| | 4,315 | 4,524 | 1,588 | 1,572 |
| Total Liabilities | 16,637 | 32,972 | 10,873 | 12,127 |
| Net Assets | 203,077 | 200,883 | 151,942 | 150,911 |
| Share capital and reserves | | | | |
| Share capital | 107,485 | 107,485 | 107,485 | 107,485 |
| Capital reserves | (1,216) | (1,216) | 707 | 707 |
| Currency translation reserves | (779) | (774) | - | - |
| Fair value reserves | 784 | 473 | 784 | 473 |
| Retained earnings | 96,803 | 94,915 | 42,966 | 42,246 |
| | 203,077 | 200,883 | 151,942 | 150,911 |

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 30.9.2009 | | As at 30.6.2009 | |
|-----------------|-----------|-----------------|-----------|
| Secured | Unsecured | Secured | Unsecured |
| 997 | 397 | 997 | 3,167 |

Amount repayable after one year ('000)

| As at 30.9.2009 | | As at 30.6.2009 | |
|-----------------|-----------|-----------------|-----------|
| Secured | Unsecured | Secured | Unsecured |
| 2,468 | - | 2,722 | - |

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) | |
|---|--------------------|--------------------|
| | 1QFY10 30.09.09 | 1QFY09 30.09.08 |
| Cash flow from operating activities | | |
| Net profit | 1,888 | 11,944 |
| Adjustments for: | | |
| - Income tax expense | 379 | 2,453 |
| - Property, plant and equipment and investment properties | | |
| - Depreciation | 424 | 418 |
| - Net gain on disposal | - | (1) |
| - Interest income | (117) | (22) |
| - Interest expense | 40 | 454 |
| - Dividend income | (47) | (11) |
| | 2,567 | 15,235 |
| Change in working capital | | |
| - Inventories | 7,943 | 7,785 |
| - Trade and other receivables | 25,272 | 18,004 |
| - Derivative financial instruments | (413) | - |
| - Trade and other payables | (12,495) | (25,450) |
| - Other current assets | (213) | (120) |
| Cash generated from operations | 22,661 | 15,454 |
| Income taxes paid | (872) | (1,180) |
| Interest received | 117 | 22 |
| Net cash generated from operating activities | 21,906 | 14,296 |
| Cash flows from investing activities | | |
| Property, plant & equipment : | | |
| - Purchases | - | (414) |
| - Proceeds from disposal | - | 61 |
| Financial assets, available-for-sale | | |
| - Purchases | - | (1,500) |
| Dividends received | 47 | 11 |
| Net cash from/(used in) investing activities | 47 | (1,842) |
| Cash flows from financing activities | | |
| Proceeds from trust receipts | 16,613 | 80,525 |
| Repayment of trust receipts | (19,383) | (90,329) |
| Repayment of term loan | (254) | (265) |
| Repayment of finance lease obligations | - | (5) |
| Interest paid | (40) | (454) |
| Net cash used in financing activities | (3,064) | (10,528) |
| Net increase in cash and cash equivalents | 18,889 | 1,926 |
| Cash and cash equivalents at beginning of the financial period | 53,567 | 27,442 |
| Effects of currency translation on cash and cash equivalents | (1) | (20) |
| Cash and cash equivalents at end of the financial period | 72,455 | 29,348 |

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 Earnings | Total Equity |
|--|----------------|------------------|-------------------------------|---------------------|-------------------|----------------|
| Group | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| 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 |
| Group | | | | | | |
| At 1 July 2008 | 107,485 | (1,259) | (728) | 1,009 | 96,539 | 203,046 |
| Total comprehensive income for 1 st quarter | - | - | (20) | (596) | 11,944 | 11,328 |
| At 30 September 2008 | 107,485 | (1,259) | (748) | 413 | 108,483 | 214,374 |

| | Share Capital | Capital Reserves | Currency Translation Reserves | Fair Value Reserves | Retained Earnings | Total Equity |
|--|----------------|------------------|-------------------------------|---------------------|-------------------|----------------|
| Company | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| 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 |
| Company | | | | | | |
| At 1 July 2008 | 107,485 | 665 | - | 1,009 | 36,300 | 145,459 |
| Total comprehensive income for 1 st quarter | - | - | - | (596) | 9,054 | 8,458 |
| At 30 September 2008 | 107,485 | 665 | - | 413 | 45,354 | 153,917 |

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.

Not applicable. None of the above occurred since the end of the previous period reported on.

(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.

| | 30.09.09 | 30.06.09 |
|---------------------------|-------------|-------------|
| Number of shares in issue | 627,370,610 | 627,370,610 |

(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 | |
|---|--------------------|--------------------|
| | 1QFY10 30.09.09 | 1QFY09 30.09.08 |
| Earnings per share based on profit attributable to equity shareholders: | | |
| (a) Basic (cent) | 0.30 | 1.90 |
| (b) Diluted (cent) | 0.30 | 1.90 |

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 | |
|--|----------|----------|----------|----------|
| | 30.09.09 | 30.06.09 | 30.09.09 | 30.06.09 |
| Net Asset Value per ordinary share (cents) | 32.37 | 32.02 | 24.22 | 24.05 |

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

The global recession had resulted in market demand for steel products to weaken substantially since the beginning of 2009, with selling prices falling in tandem. Consequently, the Group generated a smaller volume and with products commanding lower selling prices, revenue for 3 months ended 30 September 2009 ('1QFY10') decreased 67% to \$36.9M from \$111.7M for the 3 months ended 30 September 2008 ('1QFY09').

The lower revenue also resulted in gross profit for 1QFY10 declining 73% to \$5.9M from \$21.8M recorded for 1QFY09. The lower 1QFY10 gross profit included a write back in inventory impairment charges of \$1.0M compared with an inventory impairment charges of \$6.5M taken up in 1QFY09.

Gross profit margin in 1QFY10 softened to 15.9% (1QFY09: 19.6%) due to the weaker selling prices when compared with the last corresponding quarter.

Staff costs, Other operating expenses and Finance cost

Staff cost in 1QFY10 decreased 40% to \$2.1M from \$3.5M in 1QFY09 due mainly to lower headcount, reduction in salaries as part of cost cutting measures implemented in calendar year 2009 and lower provision of bonuses as a result of lower profits. Receipts from the government job credit scheme also contributed to the lower staff cost.

Other operating expenses for 1QFY10 declined 56% to \$1.3M (1QFY09: \$2.9M) mainly due to the lower volume recorded and various cost cutting measures implemented.

The reduced balance of borrowings in 1QFY10 resulted in lower interest expenses of \$40K (1QFY09:\$454K) and an exchange gain of \$92K (1QFY09: exchange loss of \$350K) contributed to a net gain of \$52K compared to a net finance cost of \$804K.

Profitability review

The lower sales volume and weaker selling prices had resulted in net profit after tax falling 84% to \$1.9M from \$11.9M. The effective tax rate was 16.7% (1QFY09: 17%).

REVIEW OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2009

Non current assets

Available-for-sale financial assets, increased to \$8.5M from \$8.1M as the market prices for bond and equities continued to recover in 1QFY10.

Current assets and current liabilities

Trade and other receivables decreased to \$37.2M from \$62.5M with lower sales generated in the quarter and the Group continued to focus on its debt collection efforts.

Inventories also decreased to \$59.2M from \$67.1M as purchasing activities remained slow in response to the soft market demand.

Trade and other payables declined to \$8.4M from \$20.9M as the Group utilised its cash collection to pay down its liabilities as they fell due.

Current income tax liabilities were lower at \$2.5M (4QFY09: \$2.9M) due to lower profits.

As the Group did not increase its purchasing activities and was able to deploy its cash collection to pay down its borrowings as they fell due, borrowings fell to \$1.4M from \$4.2M earlier.

Share capital and reserves

Fair value reserves increased to \$784K from \$473K mainly due to recovery in quoted prices for the available-for-sale financial assets during the quarter.

Cashflow

The Group continued to generate positive cash flow from its operating activities and deployed part of the cash collected to pay down its borrowings. Together with the higher cash balances maintained at the beginning of the 1QFY10, the Group held cash and cash equivalents of \$72.5M at the close of the current quarter.

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 Group's business volume is affected by the level of activities from sectors like oil & gas, shipbuilding and construction which had remained slow and there was no new major projects announced in the last quarter. The Group hopes that the demand for structural steel products will improve when more public infrastructural projects start to move into the construction phase in the near term.

As the local economy is only beginning to show signs of recovery, the Group will continue to manage its operating costs and inventory balances closely amidst the challenging market conditions. Nevertheless, the Group's strong cash balances will enable it to seize any opportunities arising from the eventual upturn in the local and global markets.

Bearing in mind the uncertainties in the global economy, the Board of Directors is cautiously optimistic about the performance of the Group in the current financial year.

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/recommendeded, 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
Company Secretary
10 November 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 has come to the attention of the Board of Directors of the Company which may render the 1QFY10 financial results to be false or misleading in any material aspects.

On behalf of the Board of Directors

Lim Kim Thor
CEO
10 November 2009

Lim Boh Chuan
Deputy MD