

HUPSteel Limited
3QFY11 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.

	GROUP (S\$'000)					
	3Q FY11	3Q FY10	% + / (-)	1.7.10 - 31.3.11	1.7.09 - 31.3.10	% + / (-)
Continuing operations						
Revenue	45,579	39,569	15%	135,480	119,809	13%
Changes in inventories	(1,494)	799	NM	(11,271)	(9,855)	14%
Purchases of inventories	(36,755)	(35,331)	4%	(104,007)	(90,964)	14%
Gross profit	7,330	5,037	46%	20,202	18,990	6%
Other operating income	272	260	5%	618	838	-26%
Staff cost	(2,311)	(1,967)	17%	(6,286)	(5,926)	6%
Depreciation	(458)	(404)	13%	(1,208)	(1,237)	-2%
Other operating expenses	(2,178)	(1,498)	45%	(6,237)	(5,275)	18%
Finance cost - net	82	59	39%	491	143	243%
Profit before tax	2,737	1,487	84%	7,580	7,533	1%
Income tax expense	(493)	(239)	106%	(1,259)	(1,258)	0%
Profit from continuing operations	2,244	1,248	80%	6,321	6,275	1%
Discontinued operations						
Profit/(Loss) from discontinued operations	3,344	(83)	NM	3,001	(99)	NM
Total profit	5,588	1,165	380%	9,322	6,176	51%
Other comprehensive income/(expenses) :						
Currency translation differences arising from consolidation	(14)	(114)	-88%	(125)	(170)	-26%
Fair value gains on available-for-sale financial assets	54	64	-16%	142	595	-76%
Total comprehensive income	5,628	1,115	405%	9,339	6,601	41%
Profit attributable to Equity holders of the Company	5,588	1,165	380%	9,322	6,176	51%
Total comprehensive income attributable to Equity holders of the Company	5,628	1,115	405%	9,339	6,601	41%
Earnings per share based on profit attributable to equity shareholders:						
- Basic (cent)	0.36	0.20		1.01	1.00	
- Diluted (cent)	0.36	0.20		1.01	1.00	

Note : NM : not meaningful

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

	GROUP (S\$'000)			
	3Q FY11	3Q FY10	1.7.10 - 31.3.11	1.7.09 - 31.3.10
Dividend income	38	38	230	229
Interest income	100	101	283	329
Profit on sale of property, plant and equipment - net	3,439	11	3448	11
Plant and equipment written off	(4)	-	(4)	-
Foreign exchange (loss)/gain	(86)	255	(1,052)	(345)
Finance cost-net is made up of :				
Interest expense	(65)	(25)	(192)	(86)
Foreign exchange gain arising from borrowings (trust receipts)	147	84	683	229
Bad debts recovered	-	-	4	-
Allowance for trade receivables	-	(138)	(112)	(138)
Trade receivables written off	(1)	-	(1)	-
Write-back of inventory write-down	-	-	-	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	
	31.03.2011 \$'000	30.06.2010 \$'000	31.03.2011 \$'000	30.06.2010 \$'000
Current Assets				
Cash and cash equivalents	65,398	77,814	40,161	49,822
Trade and other receivables	46,662	53,789	7,073	7,836
Inventories	58,329	69,782	31,593	34,600
Other current assets	272	149	133	67
Due from subsidiaries	-	-	7,083	5,386
	170,661	201,534	86,043	97,711
Non Current Assets				
Available-for-sale financial assets	10,425	8,783	10,425	8,783
Investment in club membership	58	45	-	-
Investment in subsidiaries	-	-	9,457	9,457
Loan to a subsidiary	-	-	39,520	32,059
Property, plant and equipment	28,815	24,761	366	427
Investment properties	14,220	14,313	6,831	6,856
Goodwill	4,630	4,630	-	-
Deferred income tax assets	-	-	-	-
	58,148	52,532	66,599	57,582
Total Assets	228,809	254,066	152,642	155,293
Current Liabilities				
Trade and other payables	11,324	28,226	2,026	2,673
Derivative financial instruments	-	37	-	10
Current income tax liabilities	1,499	1,895	620	652
Borrowings	6,246	18,602	495	905
Due to subsidiaries - trade	-	-	3,703	4,236
	19,069	48,760	6,844	8,476
Non Current Liabilities				
Borrowings	-	1,731	-	-
Provision for directors' retirement gratuity	1,108	1,062	1,108	1,062
Deferred income tax liabilities	843	843	527	527
	1,951	3,636	1,635	1,589
Total Liabilities	21,020	52,396	8,479	10,065
Net Assets	207,789	201,670	144,163	145,228
Share capital and reserves				
Share capital	107,485	107,485	107,485	107,485
Treasury shares	(886)	(788)	(886)	(788)
Capital reserves	(1,216)	(1,216)	707	707
Currency translation reserves	(720)	(595)	-	-
Fair value reserves	1,084	942	1,084	942
Retained earnings	102,042	95,842	35,773	36,882
	207,789	201,670	144,163	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 31.03.2011		As at 30.6.2010	
Secured	Unsecured	Secured	Unsecured
-	6,246	997	17,605

Amount repayable after one year (\$'000)

As at 31.03.2011		As at 30.6.2010	
Secured	Unsecured	Secured	Unsecured
-	-	1,731	-

Details of any collateral

The unsecured group borrowings and debt securities consist of trust receipts of the Group arising from the ordinary course of business. 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)			
	3Q FY11	3Q FY10	1.7.10 - 31.3.11	1.7.09 - 31.3.10
Cash flow from operating activities				
Total profit	5,588	1,165	9,322	6,176
Adjustments for:				
-Income tax expense	493	239	1,258	1,258
- Property, plant and equipment and investment properties				
- Depreciation	459	406	1,213	1,243
- Written off	4	-	4	-
- Net gain on disposal	(3,439)	(11)	(3,448)	(11)
- Interest income	(100)	(101)	(283)	(329)
- Interest expense	65	25	192	86
- Dividend income	(38)	(38)	(230)	(229)
	3,032	1,685	8,028	8,194
Change in working capital				
- Inventories	1,494	(806)	11,453	9,974
-Trade and other receivables	(4,431)	(1,807)	7,127	18,125
- Derivative financial instruments	-	-	-	(413)
-Trade and other payables	(1,285)	1,751	(16,939)	(4,998)
-Provision for director retirement gratuity	15	15	46	46
-Other current assets	35	(21)	(123)	(175)
Cash generated from operations	(1,140)	817	9,592	30,753
Income taxes paid	(614)	(970)	(1,654)	(2,732)
Interest received	100	101	283	329
Net cash (used in)/generated from operating activities	(1,654)	(52)	8,221	28,350
Cash flows from investing activities				
Property, plant & equipment :				
- Purchases	(639)	(415)	(5,178)	(416)
- Proceeds from disposal	3,439	11	3,448	11
Financial assets, available-for-sale				
- Purchases	(1,500)	-	(1,500)	(160)
- Proceeds from disposal	-	-	-	20
Dividends received	38	38	230	229
Net cash from/(used in) investing activities	1,338	(366)	(3,000)	(316)
Cash flows from financing activities				
Purchase of treasury shares	(86)	(358)	(98)	(788)
Proceeds from trust receipts	21,746	4,533	65,350	25,835
Repayment of trust receipts	(27,434)	(4,853)	(76,709)	(28,878)
Dividend paid to shareholders	-	-	(3,122)	(6,269)
Repayment of term loan	(2,227)	(248)	(2,728)	(749)
Interest paid	(65)	(25)	(192)	(86)
Net cash used in financing activities	(8,066)	(951)	(17,499)	(10,935)
Net (decrease)/increase in cash and cash equivalents	(8,382)	(1,369)	(12,278)	17,099
Cash and cash equivalents at beginning of the financial period	73,793	71,979	77,814	53,567
Effects of currency translation on cash and cash equivalents	(13)	(115)	(138)	(171)
Cash and cash equivalents at end of the financial period	65,398	70,495	65,398	70,495

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	-	(98)	-	-	-	-	(98)
Dividend paid	-	-	-	-	-	(3,122)	(3,122)
Total comprehensive income	-	-	-	(125)	142	9,322	9,339
At 31 March 2011	107,485	(886)	(1,216)	(720)	1,084	102,042	207,789
Group							
At 1 July 2009	107,485	-	(1,216)	(774)	473	94,915	200,883
Purchase of treasury shares	-	(788)	-	-	-	-	(788)
Dividend paid	-	-	-	-	-	(6,269)	(6,269)
Total comprehensive income	-	-	-	(170)	595	6,176	6,601
At 31 March 2010	107,485	(788)	(1,216)	(944)	1,068	94,822	200,427

	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	-	(98)	-	-	-	-	(98)
Dividend paid	-	-	-	-	-	(3,122)	(3,122)
Total comprehensive income	-	-	-	-	142	2,013	2,155
At 31 March 2011	107,485	(886)	707	-	1,084	35,773	144,163
Company							
At 1 July 2009	107,485	-	707	-	473	42,246	150,911
Purchase of treasury shares	-	(788)	-	-	-	-	(788)
Dividend paid	-	-	-	-	-	(6,269)	(6,269)
Total comprehensive income	-	-	-	-	595	3,049	3,644
At 31 March 2010	107,485	(788)	707	-	1,068	39,026	147,498

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 3,240,000 shares for \$886K 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	437,000	98
Balance as at 31 March 2011	3,240,000	886

(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.

	31.03.11	30.06.10
Number of shares in issue	624,130,610	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 or 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 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

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 31.03.11 (note 1)	3 months ended 31.03.10	9 months ended 31.03.11 (note 1)	9 months ended 31.03.10
Earnings per share based on profit attributable to equity shareholders:				
(a) Basic (cent)	0.36	0.20	1.01	1.00
(b) Diluted (cent)	0.36	0.20	1.01	1.00

Note 1 : The basic and diluted earnings per share is calculated based on the weighted average number of ordinary shares of 624,427,402 (31.03.10: 626,323,947) 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	
	31.03.11	30.06.10	31.03.11	30.06.10
Net Asset Value per ordinary share (cents)	33.29	32.29	23.10	23.25

The net asset value per ordinary share is calculated based on the number of ordinary shares in issue of 624,130,610 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**

REVIEW OF OPERATING PERFORMANCE FOR THE QUARTER ENDED 31 MARCH 2011 ("3QFY11")

Revenue and Gross profit

	\$'000				
	3QFY11	2QFY11	3QFY10	9MFY11	9MFY10
Revenue	45,579	44,073	39,569	135,480	119,809
Gross Profit	7,330	6,496	5,037	20,202	18,990
GP %	16.1%	14.7%	12.7%	14.9%	15.9%

Revenue for 3QFY11 increased slightly Q-on-Q to \$45.6M from \$44.1M (2QFY11). Revenue was helped by better selling prices and improved demand for the Group's structural steel products.

Compared with a year ago, quarterly revenue of \$45.6M was higher by 15.2% (3QFY10:\$39.6M) as business conditions improved.

A combination of the better selling prices and the stronger Singapore dollar helped compensate for the rising purchase prices resulting in improved gross profit margin in 3QFY11 of 16.1% up from 12.7% in 3QFY10. However, 9MFY11 gross profit margin was lower at 14.9% compared with 15.9% reported for 9MFY10 mainly due to a write back of the provision in diminution in inventory value of \$1.5M in 9MFY10.

Staff costs, Depreciation, Other operating expenses and Finance cost

Staff costs for 3QFY11 rose slightly to \$2.3M from \$2.0M in 3QFY10. The higher staff costs for 3QFY11 were caused by higher staff incentives corresponding to the higher sales volume.

Depreciation rose from \$404K in 3QFY10 to \$458K in 3QFY11 as the Group had completed the redevelopment of one of its warehouses and begun to amortise the related costs in the quarter.

Other operating expenses increased to \$2.2M in 3QFY11 (3QFY10 : \$1.5M) mainly due to increased shipping rates, higher freight and handling charges incurred which were in line with the higher sales volume reported for the quarter. The higher 9MFY11 amount of \$6.2M (3QFY10:\$5.3M) was also partially caused by a foreign exchange loss of \$1.1M (3QFY10:\$345k loss) on the revaluation of trade receivables denominated in USD and USD cash balances. These receivables have now been fully collected and together with majority of the US dollar cash balances and have been utilised to repay US dollar purchases.

Finance cost–net comprised interest expense of \$65K (3QFY10 : \$25K) and foreign exchange gain of \$147K (3QFY10 : \$84K) arising from borrowings. Much of the borrowings were US denominated trust receipts which attracted a slightly higher interest rates than S\$ denominated ones. However, this was more than compensated by the exchange gain made on settlement as US dollar weakened against the Singapore dollar during the quarter.

Profit from discontinued operations

As the Group received an attractive offer for one of its properties from an independent third party, the Group then decided to accept the offer as its lease would expire in 2014 and discontinued the associated activities that were operating from this property. The disposal of this property contributed a gain of \$3.4M. The associated activities contributed less than 1% of the Group revenue and made up less than 2% of its net assets in FY10.

Profit attributable to equity holders of the Company

Total profit after tax of \$5.6M for 3QFY11 was made up of a gain from the disposal of a property of \$3.4M and \$2.2M from operations which was significantly higher than the profit after tax of \$1.2M for 3QFY10.

REVIEW OF FINANCIAL POSITION AS AT 31 MARCH 2011

Current assets and current liabilities

Trade and other receivables reduced to \$46.7M from \$53.8M as the Group continued with its effort in debt collection to fund its operating activities.

The Group had an inventory holding of \$58.3M at the end of 3QFY11 compared with \$69.8M in 4QFY10. The improved sales volume and a cautious purchasing programme helped in lowering the inventory balance.

Trade and other payables fell from \$28.2M to \$11.3M as the Group made lower purchases during the quarter.

Borrowings reduced significantly from \$18.6M to \$6.2M from the repayment of trust receipts and term loan.

Non current assets and non current liabilities

The Group's available-for-sale financial assets of \$10.4M (4QFY10: \$8.8M), marked to market as at 31 March 2011, were higher as there were additional available-for-sale financial assets being acquired.

Non-current liabilities decreased from \$3.6M in 4QFY10 to \$2.0M in 3QFY11 as a result of the repayment of its long term loan.

Share capital and reserves

During the quarter, the Group continued to exercise its Share Buyback Mandate and purchased 437,000 shares worth \$98k from the open market. A total of 3,240,000 shares are held as treasury shares as at 31 March 2011.

Fair value reserves increased to \$1.1M from \$0.9M due to increases in the market value of the Group's available-for-sale financial assets as at 31 March 2011.

Cash Flow

For 3QFY11, the net cash used in operating activities and financing activities was \$1.7M and \$8.1M respectively with a net cash inflow of \$1.4M from investing activities. These resulted in a net decrease of \$8.4M in cash and cash equivalents.

The Group continued to maintain a healthy level of cash holding of \$65.4M. This cash holding will provide the Group with a ready source of fund for its working capital purposes.

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

With the rising oil prices and high iron ore prices, production costs of steel products are unlikely to adjust downwards to stimulate demand in the near term. At the same time, demand for some steel products has yet to experience any significant recovery. Hence, it is more likely for mills to keep production volume low to support prices.

Political unrest in the Middle East and North Africa nations is causing disruption to the oil supply and is pushing up oil prices. The unrest may develop and cause problems in other countries in the region. Some customers from the energy sector have reacted cautiously to the situation and have controlled their demand for steel products. Nevertheless, with oil prices remaining at high levels, oil companies may be looking into the possibility of reviving earlier planned projects and this may provide opportunities for the Group.

As the sovereign debt issues in the Euro zone have not been fully resolved and growth in the US market is showing signs of slowing down, the Singapore economy is thus only expected to grow modestly this year. In this light, the Group only expects stable demand from the marine and construction sectors in the near term. The favourable Singapore dollar exchange rate against US dollar is serving as a buffer against rising steel prices.

Barring unforeseen circumstances, the Board of Directors is optimistic that the Group will remain profitable for the financial year ending 30 June 2011.

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? No.

(c) Date payable

To be advised.

(d) Books closure date

To be advised.

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.

17. Interested Person Transactions

Not applicable.

BY ORDER OF THE BOARD

Tan Cher Liang
Company Secretary
12 May 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 has come to the attention of the Board of Directors of the Company which may render the 3QFY11 financial results to be false or misleading in any material aspects.

On behalf of the Board of Directors

Lim Kim Thor
CEO & Managing Director
12 May 2011

Lim Boh Chuan
Deputy MD