



HUPSteel

News Release – Results for 1Q09

HUPSteel Reports 62% Jump In 1QFY09 Net Profit To S\$12M Outpacing Revenue Growth

	1QFY09	1QFY08	Chg
Revenue	111.7	71.7	56%
Gross Profit	28.3	16.4	73%
Net Profit After Tax(NPAT)	12.0	7.4	62%
Gross Profit Margin	25.4%	22.9%	
Earnings per share	1.90 cts	1.30 cts*	46.2%
Net Asset Value per share	34.17 cts	32.36 cts	5.6%

*calculated on basis of weighted average number of ordinary shares of 567,483,383, which includes notional bonus element from rights issue of 1 share for every 4 existing shares announced on 10 Sept 2007

- **Improved working capital and cash position: inventory down to \$129.9m, AR turnaround at a low 75 days, strong operating cash inflow of \$14.3m and cash balances of \$29.3m**
- **Net gearing down to 0.14X**
- **Outlook- Management believes that local demand has not materially changed but deferred due to current economic conditions; ongoing demand from certain key infrastructure projects and offshore/marine, oil and gas anticipated to continue in near- to medium-term**

Singapore, 11 November 2008 - SGX Main Board-listed HUPSteel Limited (“HUPSteel” or “the Group”), today announced that its net profit attributable to equity holders (“NPAT”) soared 62% to \$12.0 million for the first quarter ended 30 September 2008 (“1QFY09”).

HupSteel, one of South-east Asia’s largest provider of steel products, also reported strong 1QFY09 revenue growth of 56% to \$111.7 million from \$71.7 million mainly led by increased demand from the Group’s oil and gas (“O&G”), offshore/marine and construction customers and partially due to higher prices of steel products than a year ago.

Concurrently, 1QFY09 gross profit jumped 73% to \$28.3 million from \$16.4 million and gross margin rose to 25.4% from 22.9% contributed by a sales mix of higher margin products. Net margin remained comparable at 10.7% and had it not been for a \$6.5 million write down in inventory during 1QFY09, net margin would have been higher at 15.8%.

During the period under review, the Group continued to improve working capital in the wake of the global financial market turmoil by bringing account receivable turnaround to a low of



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75 days. Consequently, the Group's cash position also improved as the Group generated a positive operating cash inflow of \$14.3 million. As at 30 September 2008, cash balances strengthened to \$29.3 million. Net gearing improved to 0.14 times from 0.2 times.

Commenting on the Group's results, CEO Lim Kim Thor, said, "Our results this quarter demonstrate that our business strategies are on the right track led by management's ability to successfully execute them."

"In line with changing operating conditions, we have also decreased inventory slightly to \$129.9 million and going forward, we will continue to selectively replenish stocks taking account of customer's indicative demand," he continued

Looking ahead, he added, " Notwithstanding the impact from the ongoing global financial turmoil, we believe that local demand for structural steel products, pipes and fittings has not materially changed despite certain customers having deferred their orders."

Certain key infrastructure projects such as the Upgrading of Changi Airport Terminal 1, new Downtown MRT line, Marina coastal highway, Khoo Teck Puat Hospital and the Sports Hub are expected to proceed according to schedule. Similarly, the Group's core offshore/marine customers have orderbooks stretching through 2011, riding on Singapore as a leading Asian building hub for ships, offshore support vessels, oil rigs and platforms. Likewise, HupSteel's oil & gas customers continue to be buoyed by regional demand for energy resulting in new-build and expansion.

"While demand may soften in the next quarter and remain so till confidence returns to global financial markets, the local economy is hoping that the government will restart deferred projects to add to near term demand," continued Mr Lim.

"These activities are expected to provide ongoing support to our business in the near to medium term." also said Mr Lim.

At the same time, shrinking global demand during the post-September period has caused the prices of steel plates, one of the main structural steel products supplied by the Group, to decline more steeply than expected. Some mills have either reduced production or temporarily suspended production and the industry anticipates this will help to arrest this situation.

Locally, some of HupSteel's customers have adopted a cautious approach in purchasing by buying only to meet immediate needs at the "most competitive" price. Hence, the Group made a provision in respect to a write down of certain portion of its inventory in 1QFY09. However, prices of most of the Group's products are sustaining at about the same level so far.

Given the above mentioned trends, during the second quarter till date, HupSteel has retained focus on its two pronged strategy of tracking closely steel prices and timing purchases of stocks to replenish inventories in line with market demand and supply conditions.

"Given this scenario, we also aim to continue to strengthen our working capital position in order to take advantage of the eventual market recovery", concluded Mr Lim.



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End of release

About HUPSteel

Established in 1945 as an industrial hardware company, SGX Main Board-listed HUPSteel Limited, formerly known as Hup Seng Huat Co. Ltd, provides an integrated range of steel products and services for the oil and gas, chemical and petrochemical, energy, infrastructure, marine and other industries across Asia Pacific. Serving more than 1,500 customers in over 15 countries, HUPSteel is one of the largest steel suppliers and stockists in Singapore. The Group distinguishes itself from other Singapore-based steel stockists in being able to provide value-added services such as logistics services that will enable it to expand across the horizontal supply chain and become a truly global total solutions provider for steel products and services. HUPSteel's value lies in its product knowledge, stock availability, competitive pricing, and comprehensive product range. This enables the Group to offer an indispensable inventory management service to source and supply clients' time-sensitive steel requirements.

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