

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 or reviewed.

	GROUP (S\$'000)		
	1QFY08 30.09.07	1QFY07 30.09.06	% +/(-)
Revenue	71,724	55,289	30%
Changes in inventories	(1,271)	7,691	NM
Purchases of inventories	(54,055)	(48,943)	10%
Gross profit	16,398	14,037	17%
Other operating income	130	1,321	-90%
Staff costs	(2,886)	(2,493)	16%
Depreciation of property, plant and equipment	(379)	(323)	17%
Other operating expenses	(3,889)	(2,522)	54%
Finance cost - net	(401)	(231)	74%
Profit before tax	8,973	9,789	-8%
Income tax expense	(1,615)	(2,005)	-19%
Total profit	7,358	7,784	-5%
Attributable to:			
Equity holders of the Company	7,358	7,784	-5%
Earnings per share based on profit attributable to equity shareholders:			
- Basic (cent) - see section 6	1.30	1.53	
- Diluted (cent) - see section 6	1.30	1.53	

Nm: Not meaningful

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

	GROUP (S\$'000)	
	1QFY08 30.09.07	1QFY07 30.09.06
Investment income	21	929
Other income including interest income	33	356
Loss on sale of property, plant and equipment	-	(24)
Foreign exchange gain /(loss)	(664)	239
Finance cost-net is made up of :		
Interest expense	(411)	(312)
Foreign exchange (loss)/gain - net	10	81
Allowance for trade receivables	(8)	(102)
Write-back of allowance for trade receivables	8	5
Write-back/(Allowance) for slow and obsolete inventories	-	1

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	
	30.09.2007 \$'000	30.06.2007 \$'000	30.09.2007 \$'000	30.06.2007 \$'000
Current Assets				
Cash and cash equivalents	27,177	18,217	13,523	4,968
Trade and other receivables	77,573	80,541	27,120	26,134
Tax recoverable	-	161	-	-
Inventories	78,673	79,944	42,918	43,405
Other current assets	596	250	122	73
	184,019	179,113	83,683	74,580
Non Current Assets				
Available-for-sale financial assets	7,984	7,930	7,985	7,930
Club membership	62	62	-	-
Investment in subsidiaries	-	-	9,457	9,457
Loan to subsidiaries	-	-	55,297	35,230
Property, plant and equipment	19,402	19,679	1,039	1,067
Investment Properties	14,657	14,713	6,950	6,985
Goodwill	4,630	4,630	-	-
Deferred tax assets	76	76	25	25
	46,811	47,090	80,753	60,694
Total Assets	230,830	226,203	164,436	135,274
Current Liabilities				
Trade and other payables	17,022	30,604	9,090	13,099
Current tax liabilities	6,396	6,269	3,350	3,139
Borrowings	26,903	43,164	4,677	3,964
	50,321	80,037	17,117	20,202
Non Current Liabilities				
Borrowings	10	14	-	-
Provision for directors' retirement gratuity	895	879	895	879
Deferred tax liabilities	145	145	-	-
	1,050	1,038	895	879
Total Liabilities	51,371	81,075	18,012	21,081
Net Assets	179,459	145,128	146,424	114,193
Share capital and reserves				
Share capital	95,150	68,157	95,150	68,157
Capital reserves	(477)	(477)	1,430	1,430
Foreign currency translation reserve	(580)	(506)	-	-
Fair value reserve	1,580	1,526	1,580	1,526
Retained earnings	83,786	76,428	48,264	43,080
Interests of shareholders of the Company	179,459	145,128	146,424	114,193

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 30.9.2007		As at 30.6.2007	
Secured	Unsecured	Secured	Unsecured
18	26,885	20	43,144

Amount repayable after one year ('000)

As at 30.9.2007		As at 30.6.2007	
Secured	Unsecured	Secured	Unsecured
10	-	14	-

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)	
	1QFY08 30.09.07	1QFY07 30.09.06
Cash flow from operating activities		
Profit before tax	8,973	9,789
Adjustments for:		
Exchange differences	-	-
Provision for directors' retirement gratuity	16	17
Property, plant and equipment		
- depreciation	379	323
- loss on disposal	-	24
Allowance for/(write-back) of:		
- doubtful trade receivables	8	102
- slow moving inventories	-	(1)
Inventories written off		-
Allowance for trade receivables written back	(8)	(5)
Interest income	(33)	(53)
Interest expense	411	312
Dividend income	(21)	(929)
Operating cash flow before working capital changes	9,725	9,579
Changes in working capital:		
Inventories	1,271	(7,908)
Trade and other receivables	2,968	(2,048)
Other current assets	(338)	(423)
Trade & other payables	(11,727)	2,038
Cash generated from operations	1,899	1,238
Income taxes paid	(1,488)	(999)
Interest paid	(353)	(290)
Interest received	29	49
Net cash (used in)/generated from operating activities	87	(2)
Cash flows from investing activities		
Property, plant and equipment:		
- purchases	(25)	(348)
- proceeds from disposal	-	24
Repayment of staff loans	4	22
Investments		
- proceeds from disposal	-	2,000
Dividend received		
- other quoted investments	21	929
Net cash generated from/(used in) investing activities	-	2,627
Cash flow from financing activities		
Net proceeds from issue of shares	26,993	-
(Repayment)/Draw down of Bank borrowings	(16,259)	4,082
Dividend paid	(1,855)	-
Payment under finance lease obligations	(6)	(4)
Net cash generated from/(used in) financing activities	8,873	4,078
Net exchange differences arising from translation	-	-
Net increase/(decrease) in cash and cash equivalents	8,960	6,698
Cash and cash equivalents at beginning of period	18,217	11,200
Cash and cash equivalents at end of period	27,177	17,898

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	Foreign Currency Translation Reserve	Fair Value Reserve	Retained Profits	Total
Group	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
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
Group						
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 1 st quarter	-	-	-	-	7,784	7,784
At 30 September 2006	59,317	(477)	(603)	1,418	73,440	133,095

	Share Capital	Capital Reserves	Foreign Currency Translation Reserve	Fair Value Reserve	Retained profits	Total
Company	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
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
Company						
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 1 st quarter	-	-	-	-	3,608	3,608
At 30 September 2006	59,317	1,430	-	948	50,868	112,563

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

	30.09.07	30.09.06
	('000)	('000)
Number of shares that may be issued upon exercising all outstanding options	-	72

The Employees Share Option scheme had expired on 16 November 2006.

On 10 Sept 07, the Company announced a rights issue of 1 share for every 4 existing shares and a maximum number of 125,474,122 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 2007, the Group and the Company adopted the amendments to the Financial Reporting Standards (FRS) below.

FRS 19 (Amendment)	Employee Benefits
FRS 21 (Amendment)	Effects of changes in Foreign Exchange Rates
FRS 32 (Amendment)	Financial Instruments : Disclosure and Presentation
FRS 39 (Amendment)	Financial Instruments : Recognition and Measurement
FRS 40	Investment Properties
FRS 107	Financial Instruments : Disclosures

The effect of adopting FRS 40 is the reclassification of properties that are held for long term rental yields and/or for capital appreciation as investment properties. These properties are transferred at cost less accumulated depreciation and accumulated impairment loss amounting to \$14.7M (FY07: \$14.7M) and \$6.9M (FY07: \$6.9M) from fixed assets to investment properties for the Group and the Company respectively.

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	
	1QFY08 30.09.07 (note 2)	1QFY07 30.09.06 (note1) (note 2)
Earnings per share based on profit attributable to equity shareholders:		
(a) Basic (cent)	1.30	1.53
(b) Diluted (cent)	1.30	1.53

Note 1 : On 29 August, 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 424,469,548, which includes the notional bonus element from this rights issue.

Note 2 : 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. Accordingly, the comparative is adjusted for the bonus element in the rights issue of the current year.

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	
	30.09.07	30.06.07	30.09.07	30.06.07
Net Asset Value per ordinary share (cents)	35.76	32.08	29.17	25.24

Note : On 10 Sept 07, the Company announced a rights issue of 1 share for every 4 existing shares and the maximum number of shares to be issued is 125,474,122. The number of shares in issue as at 30.06.07 was 452,396,488.

- 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**

Turnover

Turnover for 1QFY08 grew 30% to \$71.7M from \$55.3M as the local economy continued to demonstrate high growth. The healthy increase in turnover reflected the twin trend of sustained demand for the Group's steel products from customers in the traditionally strong marine, oil and gas sectors and increasing demand from the resurging construction sector.

Gross profit for 1QFY08 rose 17% to \$16.4M from \$14.0M in 1QFY07 as a result of the higher turnover. Gross profit margin moderated to 22.8% from 25.4% achieved a year ago. The lower gross profit margin was attributed to the lower margin structural steel products that formed a higher proportion of turnover in line with the increasing demand from the resurging construction sector.

Other income decreased to \$0.1M compared with \$1.3M recorded mainly due to a one time special dividend of \$0.9M received from an early redemption of a bond held by the Group in 1QFY07.

Staff costs, Depreciation, Other operating expenses and Finance cost

Staff costs rose 16% to \$2.9M from \$2.5M mainly due to higher provision for incentives due to better turnover, higher headcount and salary costs as the Group stepped up sales in line with higher demand across all business sectors.

Depreciation expenses increased by 17% to \$379K from \$323K mainly due to depreciation attributed to the new warehouse extension that was completed in March 2007 and the new SAP software that was implemented progressively throughout the Group.

Other operating expenses rose 54% to \$3.9M compared to \$2.5M for 1QFY07 were in line with higher turnover and a general increases in cost of operations due to the strong economy.

Finance expenses also rose 74% to \$401K from \$231K mainly due to higher utilisation of trust receipts for the purchase of inventories and higher interest rates when compared to a year ago.

Profitability review

Profit after tax for 1QFY08 was \$7.4M, 5% lower compared to \$7.8M reported for 1QFY07. The higher profit after tax in 1QFY07 was mainly due to an one time special dividend income of \$0.9M received from an early redemption of a bond held by the Group. The Group actually posted a comparatively higher profit after tax for 1QFY08 if this special dividend income was excluded from 1QFY07, which was in line with the higher turnover.

REVIEW OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2007

Non current assets – Investment Properties

Following the introduction of FRS 40, the Group has reclassified those properties that are held for long term rental yields and/or for capital appreciation as investment properties. They are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses, if any. These properties were previously accounted as fixed assets at cost less accumulated depreciation under property, plant and equipment.

It is also noted that a portion of these properties were adjusted upwards from a one-off asset revaluation exercise in 1992. Although there was a one-off revaluation in 1992, FRS 16 – Property, Plant and Equipment provides that the revaluation model is not applicable to fixed assets that were re-valued on a one-off basis between 1 January 1984 and 31 December 1996. Accordingly, these assets continued to be accounted for using the cost model, and reclassified to investment properties at deemed costs.

Current assets and current liabilities

Cash and cash equivalent stood at \$27.2M at end of 1QFY08. The higher balance was mainly due to the proceeds received from the share placement exercise completed in July 2007. The total net proceeds from the share placement amounted to \$26.9M and a large part of the proceeds was used for working capital purposes during 1QFY08.

Trade and other receivables decreased to \$77.6M from \$80.5M as at the end of the last financial year ended 30 June 2007 as a result of the Group putting in more effort in collection of its debts.

Inventories remained constant at \$78.7M (FY07: \$79.9M) and they are held in order to meet the anticipated strong demand from the Group's customers.

Trade and other payables and borrowings decreased to \$17.0M and \$26.9M from \$30.6M and \$43.2M respectively due to the utilisation of the net proceeds received from the share placement completed in July 2007 to pay off these liabilities during 1QFY08.

Share capital and reserves

During the quarter ended 30 September 2007, the Company placed 49.5M new ordinary shares to 3 institutional funds at \$0.555 per share. The net proceeds received from this placement were \$26.9M and the share capital was enlarged from \$68.2M to \$95.2M. The number of shares in issued hence increased from 452,396,488 to 501,896,488 at the end of 30 September 2007.

The Group has also on 10 September 2007 announced a gross bonus dividend of \$0.03049 per share (\$0.025 net per share) cum a rights issue of 1 share for every 4 existing shares at a subscription price of \$0.10 per rights share. Shareholders will be provided with an option to elect to use the bonus dividend to subscribe for the rights share. A total of 125,474,122 new ordinary shares are expected to be issued if the rights shares are fully subscribed for.

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

For rest of the calendar year 2007 and 2008, demand for the Group's products is expected to remain firm in the forthcoming quarters. Stable orders are expected to continue from the oil and gas, marine and construction sectors which have built up a strong momentum and are dependent on both domestic and regional demand.

In particular, with global oil prices breaking new heights, it is expected that oil exploration activities will continue their momentum. These activities which will benefit many of the Group's customers in the oil and gas and marine sectors will, in turn, drive up demand for steel products.

The Group also expects to increase its sales of structural steel products to the construction sector with many projects being awarded and commencing in the next few months. Such projects include the Integrated Resorts, Business & Financial centre at Marina and other infrastructure development-related activity which will augur well for the Group. Gross margin of the Group in any quarter will reflect the sales mix of the various products sold.

The Group has also maintained a healthy level of inventories to meet the needs of its customers. The recently completed warehouse extension will allow the Group to create more covered space to store its inventories and keep them from ravages of the elements.

Supply of goods is expected to remain tight due to strong global demand for steel products which may cause prices of steel products to continue rising. Based on its strong connections with many established steel mills, the Group is optimistic about ensuring stable supply of steel products to meet 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
13 November 2007

Confirmation by the Board

We, Lim Kim Thor and Lim Beo Peng 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 1QFY08 financial results to be false or misleading in any material aspects.

On behalf of the Board of Directors


Lim Kim Thor
CEO
13 November 2007


Lim Beo Peng
Director