

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 FY08	2Q FY07	% + / (-)	1H FY08	1H FY07	% + / (-)
Revenue	100,018	65,107	54%	171,742	120,396	43%
Changes in inventories	23,078	1,400	1548%	21,807	9,091	140%
Purchases of inventories	(106,038)	(51,728)	105%	(160,093)	(100,671)	59%
Gross profit	17,058	14,779	15%	33,456	28,816	16%
Other operating income	672	854	-21%	802	2,175	-63%
Staff costs	(3,164)	(2,832)	12%	(6,050)	(5,325)	14%
Depreciation of property, plant and equipment	(377)	(336)	12%	(756)	(659)	15%
Other operating expenses	(3,519)	(3,301)	7%	(7,408)	(5,823)	27%
Finance cost - net	(596)	(500)	19%	(997)	(731)	36%
Profit before tax	10,074	8,664	16%	19,047	18,453	3%
Income tax expense	(1,813)	(1,705)	6%	(3,428)	(3,710)	-8%
Total profit	8,261	6,959	19%	15,619	14,743	6%
Attributable to:						
Equity holders of the Company	8,261	6,959	19%	15,619	14,743	6%
Earnings per share based on profit attributable to equity shareholders:						
- Basic (cent)	1.41	1.38		2.67	2.91	
- Diluted (cent)	1.41	1.38		2.67	2.91	

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

	GROUP (S\$'000)			
	2Q FY08	2Q FY07	1H FY08	1H FY07
Dividend income	145	165	166	1,094
Other income including interest income	372	252	405	608
(Loss)/gain on sale of property, plant and equipment	(1)	4	(1)	(20)
Foreign exchange gain /(loss)	(184)	105	(848)	344
Net finance cost is made up of :				
Interest expense	(808)	(370)	(1,219)	(682)
Foreign exchange gain /(loss) arising from borrowings (trust receipts)	212	(130)	222	(49)
Allowance for doubtful debts	(23)	(6)	(23)	(103)
Inventories written-off	(1)	(2)	(1)	(2)

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	
	31.12.2007 \$'000	30.06.2007 \$'000	31.12.2007 \$'000	30.06.2007 \$'000
Current Assets				
Cash and cash equivalents	22,278	18,217	8,307	4,968
Trade and other receivables	110,619	80,541	21,449	26,134
Inventories	101,744	79,944	43,871	43,405
Other current assets	327	411	112	73
Due from subsidiaries	-	-	26,984	-
	234,968	179,113	100,723	74,580
Non-Current Assets				
Available-for-sale financial assets	7,643	7,930	7,643	7,930
Investment in club membership	60	60	-	-
Investment in subsidiaries	-	-	9,457	9,457
Loan to a subsidiary	-	-	33,264	35,230
Property, plant and equipment	19,085	19,681	986	1,067
Investment properties	14,626	14,713	6,942	6,985
Goodwill	4,630	4,630	-	-
Deferred income tax assets	76	76	25	25
	46,120	47,090	58,317	60,694
Total Assets	281,088	226,203	159,040	135,274
Current Liabilities				
Trade and other payables	21,256	30,604	8,352	13,099
Current income tax liabilities	5,730	6,269	3,045	3,139
Borrowings	71,802	43,164	1,319	3,663
Due to subsidiaries - trade	-	-	425	301
	98,788	80,037	13,141	20,202
Non-Current Liabilities				
Borrowings	-	14	-	-
Provision for directors' retirement gratuity	910	879	910	879
Deferred income tax liabilities	147	145	-	-
	1,057	1,038	910	879
Total Liabilities	99,845	81,075	14,051	21,081
Net Assets	181,243	145,128	144,989	114,193
Share capital and reserves				
Share capital	107,697	68,157	107,697	68,157
Capital reserves	(477)	(477)	1,430	1,430
Currency translation reserve	(580)	(506)	-	-
Fair value reserve	1,277	1,526	1,277	1,526
Retained earnings	73,326	76,428	34,585	43,080
	181,243	145,128	144,989	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 31.12.2007		As at 30.6.2007	
Secured	Unsecured	Secured	Unsecured
24	71,778	20	43,144

Amount repayable after one year ('000)

As at 31.12.2007		As at 30.6.2007	
Secured	Unsecured	Secured	Unsecured
-	-	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)			
	2Q FY08	2Q FY07	1H FY08	1H FY07
Cash flow from operating activities				
Profit before tax	10,074	8,664	19,047	18,453
Adjustments for:				
Exchange differences	-	-	-	-
Provision for directors' retirement gratuity	15	15	31	32
Property, plant and equipment:				
- depreciation	377	336	756	659
- loss/(gain) on disposal	1	(4)	1	20
Investments				
- gain on disposal	-	(473)	-	(473)
Allowance for/(write-back) of:				
- doubtful trade receivables	23	6	23	103
- slow moving inventories	-	2	-	1
Inventories written off	1	2	1	2
Interest income	(372)	(59)	(405)	(112)
Interest expense	808	370	1,219	682
Dividend income	(145)	(165)	(166)	(1,094)
Operating cash flow before working capital changes	10,782	8,694	20,507	18,273
Changes in working capital:				
Inventories	(23,072)	(2,677)	(21,801)	(10,585)
Trade and other receivables	(32,910)	(7,168)	(29,942)	(9,216)
Other current assets	261	24	(77)	(399)
Trade payables	2,038	377	(9,689)	1,209
Other payables and accruals	1,895	1,476	1,895	2,682
Cash generated from operations	(41,006)	726	(39,107)	1,964
Income taxes paid	(2,477)	(1,329)	(3,965)	(2,328)
Interest paid	(565)	(318)	(918)	(608)
Interest received	376	63	405	112
Net cash (used in)/generated from operating activities	(43,672)	(858)	(43,585)	(860)
Cash flows from investing activities				
Property, plant and equipment:				
- purchases	(50)	(868)	(75)	(1,216)
- proceeds from disposal	-	4	-	28
Repayment of staff loans	(2)	(13)	2	9
Investments				
- proceeds from disposal	39	1,071	39	3,071
Dividend received				
- other quoted investments	145	165	166	1,094
Net cash generated from/(used in) investing activities	132	359	132	2,986
Cash flow from financing activities				
Net proceeds from issue of shares	-	-	26,993	-
Draw down/(repayment) of Bank borrowings	44,893	8,004	28,634	12,086
Increase in finance lease obligation	-	-	-	-
Payment under finance lease obligations	(4)	(5)	(10)	(9)
Dividends paid	(6,174)	(5,785)	(8,029)	(5,785)
Net cash generated from/(used in) financing activities	38,715	2,214	47,588	6,292
Net exchange differences arising from translation	(74)	48	(74)	43
Net increase/(decrease) in cash and cash equivalents	(4,899)	1,763	4,061	8,461
Cash and cash equivalents at beginning of period	27,177	17,898	18,217	11,200
Cash and cash equivalents at end of period	22,278	19,661	22,278	19,661

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 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
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
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	-	-	-	(499)	-	(499)
Net profit for 1 st quarter	-	-	-	-	7,784	7,784
At 30 September 2006	59,317	(477)	(603)	1,418	73,440	133,095
Currency translation differences	-	-	(35)	-	-	(35)
Fair value loss on available-for-sale financial assets	-	-	-	(162)	-	(162)
Bonus issue	9,053	-	-	-	(9,053)	-
Net profit for 2 nd quarter	-	-	-	-	6,959	6,959
Dividend paid	-	-	-	-	(5,785)	(5,785)
At 31 December 2006	68,370	(477)	(638)	1,256	65,561	134,072

	Share Capital	Revaluation Reserves	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
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
Company						
At 1 July 2006	59,317	1,430	-	1,526	47,260	109,533
Fair value gains on available-for-sale financial assets	-	-	-	(578)	-	(578)
Net profit for 1 st quarter	-	-	-	-	3,608	3,607
At 30 September 2006	59,317	1,430	-	948	50,868	112,563
Fair value loss on available-for-sale financial assets	-	-	-	81	-	81
Bonus issue	9,053	-	-	-	(9,053)	-
Net profit for 2 nd quarter	-	-	-	-	4,227	4,227
Dividend paid	-	-	-	-	(5,785)	(5,785)
At 31 December 2006	68,370	1,430	-	1,029	40,257	111,086

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 11 Jul 07, the Company placed a total of 49.5 million shares to private investors at \$0.555 per share for cash. These shares were issued and quoted on the Singapore Exchange Securities - ST on the 24 Aug 2007. The number of issued shares increased from 452,396,488 to 501,896,488.

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 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

Changes in accounting policies

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			
	3 months ended 31.12.07 (note 2)	3 months ended 31.12.06 (note 1)	6 months ended 31.12.07 (note 2)	6 months ended 31.12.06 (note 1)
Earnings per share based on profit attributable to equity shareholders:				
(a) Basic (cent)	1.41	1.38	2.67	2.91
(b) Diluted (cent)	1.41	1.38	2.67	2.91

Note 1 : On 29 August 2006, 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 506,026,397, which includes the notional bonus element from this rights issue.

Note 2 : On 11 July 2007 and 10 Sept 2007, the Company announced a private placement of 49.5 million shares and a rights issue of 1 share for every 4 existing shares respectively. The basic and diluted earnings per share is calculated based on the weighted average number of ordinary shares during the period of 585,639,385, which includes the notional bonus element from the 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	
	31.12.07	30.06.07	31.12.07	30.06.07
Net Asset Value per ordinary share (cents)	30.95	32.08	29.17	25.24

The NAV for 31.12.07 is calculated based on 585,639,385 shares where as NAV for 30.06.07 is calculated based on 506,026,397 shares.

- 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 2007 ('2QFY08') vs QUARTER ENDED 31 DECEMBER 2006 ('2QFY07')

Turnover and Gross profit

Turnover for 2QFY08 rose 54% to \$100.0M from \$65.1M reported for 2QFY07. The higher turnover was attributed to the higher demand for steel plates from the shipbuilding sector during the quarter whilst demand from other sectors remained strong and steady. Higher selling prices compared to those a year ago also boosted the turnover of the Group.

The Group recorded a gross profit of \$17.0M for 2QFY08 representing a 15% increase over the \$14.8M recorded for 2QFY07. However, as a larger proportion of the Group's 2QFY08 turnover was derived from the sale of structural steel products which generally fetch a lower margin, the Group gross profit margin for 2QFY08 moderated to 17.1% from 22.7% a year ago.

Overall, the Group's turnover for the 6 months ended 31 December 2007 ('1HFY08') grew by 43% to \$171.7M from \$120.4M for the 6 months ended 31 December 2006 ('1HFY07'). Gross profit for this period was \$33.5M representing a 16% increase over \$28.8M recorded for 1HFY07.

Staff costs, Other operating expenses and Finance cost

The higher staff costs of \$3.2M in 2QFY08 compared with \$2.8M incurred in 2QFY07 was mainly due to higher provision for staff incentives in line with higher profits and increases in headcount to meet operational requirements.

Other operating expenses of \$3.5M for 2QFY08 were marginally higher than \$3.3M incurred in 2QFY07 in line with the higher sales volume achieved.

Net finance cost increased from \$500k in 2QFY07 to \$596k in 2QFY08 due to higher interest costs incurred resulting from the greater utilisation of trust receipts in the purchase of inventories.

Profit attributable to equity holders of the Company

Profit after tax for 2QFY08 rose 19% to \$8.3M from \$6.9M reported in 2QFY07. The better profit after tax reflected the Group's higher turnover for 2QFY08. The 2QFY08 net profit margin of 8.3% was lower than 10.7% achieved for 2QFY07 due to the higher proportion of sales of structural steel products, which had a lower margin, in the quarter under review.

The net profit for 1HFY08 rose 6% to \$15.6M from \$14.7M recorded in 1HFY07 which had included a non-recurring dividend income of \$0.9M due to an early redemption of a bond held by the Group.

REVIEW OF FINANCIAL POSITION AS AT 31 DECEMBER 2007

Current assets and current liabilities

Trade and other receivables of \$110.6M and inventories of \$101.7M are the Group's most important classes of current assets. These balances rose from \$80.5M and \$79.9M respectively since the end of the last financial year ended 30 June 2007. The higher trade and other receivables balance arose from the higher sales achieved during 1HFY08. The strong market demand for steel products had prompted the Group to increase its inventory holdings to meet the needs of its customers.

To fund the overall increase in business, borrowings of the Group increased from \$43.2M to \$71.8M.

Share capital and reserves

The Group's share base increased following a placement exercise of 49.5M shares to 3 institutional funds and a rights issue of shares of 125.5M, thereby increasing the number of issued shares from 452.4M to 627.4M as at 31 December 2007. The share placement at \$0.555 per share and the rights issue of \$0.10 per share, which were fully subscribed for, strengthened the share capital of the Group from \$68.2M to \$107.7M as at 31 December 2007.

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 achievement of a record high quarterly revenue of \$100.0M for 2QFY08 underscored the ongoing strong demand for steel products across all three major customer sectors namely construction, marine /shipbuilding as well as oil and gas.

Local demand from the shipbuilding sector is expected to remain strong and the recovering construction sector will begin to compete with it for the supply of structural steel products. In addition, the demand for pipes and fittings is expected to remain robust, supported by on-going operations and maintenance needs within the marine, oil and gas sectors as more projects come onstream.

In the 6 months to 31 December 2007, the sale of structural steel products which contributed a larger percentage of the Group's increased turnover had also moderated both the gross and net profit margins downward as expected. Going forward, the Group will adjust its sales mix to strike a balance between achieving volume growth while maintaining a sustainable net margin.

Supply for all categories of steel products is expected to remain tight globally with the possibility of price increases for most of the product categories in the light of higher raw material costs and fuel prices as steel mills continue to consolidate.

While the possible slowdown of the US economy may affect global demand for steel, it is anticipated that this situation can actually help create supply-side opportunities for the Group which focuses mainly on Singapore and other regional markets. This is because the surplus supply from steel mills can be diverted from weakening overseas markets like the US towards this region for markets like Singapore that were hitherto insufficiently satisfied due to supply shortages.

Nevertheless, while demand for the current year is expected to remain fairly strong and resilient, backed by sound fundamentals of the Singapore economy, the Group will proceed more cautiously in the stocking of inventories to meet demands.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

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

(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
Dividend Amount per share	1 cent per ordinary share
Tax Rate	18%

(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.

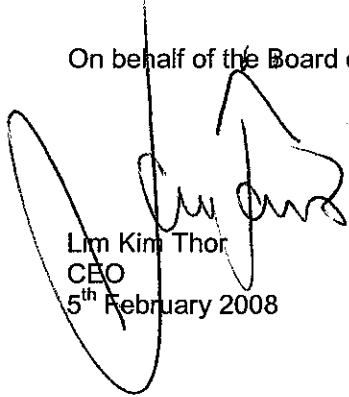
BY ORDER OF THE BOARD

Tan Cher Liang
Secretary
5^h February 2008

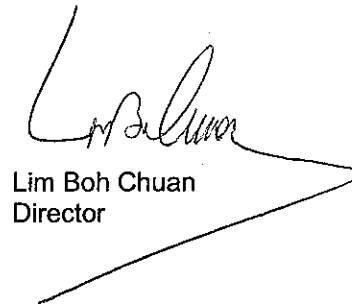
Confirmation by the Board pursuant to Rule 705(4)

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 2QFY08 financial results to be false or misleading in any material aspects.

On behalf of the Board of Directors



Lim Kim Thor
CEO
5th February 2008



Lim Boh Chuan
Director