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Half Year Unaudited * Financial Statement And Dividend Announcement

* Asterisks denote mandatory information

Name of Announcer *	HUPSTEEL LTD
Company Registration No.	197301452D
Announcement submitted on behalf of	HUPSTEEL LTD
Announcement is submitted with respect to *	HUPSTEEL LTD
Announcement is submitted by *	Julie Koh Ngin Joo
Designation *	Company Secretary
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>> Announcement Details

The details of the announcement start here ...

For the Financial Period Ended *	31-12-2005

Attachments:

HUPSteel_2Q06.pdf

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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 05/06	2Q 04/05 Restated	% +/(-)	1H 05/06	1H 04/05 Restated	% +/(-)
Revenue	45,991	52,157	-12%	90,513	87,001	4%
Cost of goods sold	(37,848)	(41,676)	-9%	(74,530)	(63,951)	17%
Gross profit	8,143	10,481	-22%	15,983	23,050	-31%
Other operating income	561	199	182%	793	284	179%
Staff costs	(1,941)	(3,462)	-44%	(3,953)	(6,131)	-36%
Depreciation of property, plant and equipment	(325)	(309)	5%	(647)	(613)	6%
Other operating expenses	(2,246)	(1,975)	14%	(3,282)	(4,696)	-30%
Profit from operations	4,192	4,934	-15%	8,894	11,894	-25%
Finance cost - net	(408)	(111)	268%	(805)	(124)	549%
Profit before tax	3,784	4,823	-22%	8,089	11,770	-31%
Income tax expense	(1,069)	(416)	157%	(1,933)	(1,836)	5%
Total profit	2,715	4,407	-38%	6,156	9,934	-38%
Attributable to:						
Equity holders of the Company	2,715	4,407	-38%	6,156	9,925	-38%
Minority interests	-	-	-	-	9	-100%
	2,715	4,407	-38%	6,156	9,934	-38%
Earnings per share based on profit attributable to equity shareholders:						
- Basic (cent)	0.90	1.46		2.04	3.29	
- Diluted (cent)	0.75	1.46		1.70	3.29	

Note : 2Q06 - 1Oct05 - 31Dec05
2Q05 - 1Nov04 - 31Jan05
Diluted EPS is based on an enlarged number of fully paid up shares base of 361,858,790 after taking into consideration of bonus issue of 60,309,790 which were listed on the SGX on 25th January 2006.

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

	GROUP (S$'000)			
	2Q 05/06	2Q 04/05	1H 05/06	1H 04/05
Investment income	229	47	305	94
Other income including interest income	332	203	488	288
Property, plant & equipment (written off)	-	-	-	(2)
Loss on sale of property, plant and equipment	-	(2)	-	(199)
Foreign exchange gain /(loss)	(184)	(145)	(156)	(289)
Under provision of tax in in respect of prior years	(104)	-	(185)	-
Interest on borrowings	(60)	(24)	(562)	(84)
Allowance for trade receivables	(137)	-	(153)	-
Write-back of allowance for trade receivables	(22)	22	3	90
Write-back/(Allowance) for slow and obsolete inventories	32	(14)	454	(140)
Inventories written off	(2)	(4)	(10)	(6)

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	
	31.12.2005 $'000	30.06.2005 $'000	31.12.2005 $'000	30.06.2005 $'000
Current Assets				
Cash and cash equivalents	12,146	19,413	5,092	7,443
Trade and other receivables	44,873	55,054	17,393	15,125
Inventories	51,519	67,466	33,990	38,899
Other current assets	280	341	109	84
Due from subsidairies	-	-	6,089	10,400
	108,818	142,274	62,673	71,951
Non Current Assets				
Other receivables	10	26	-	13
Available-for-sale financial assets	10,941	9,465	9,533	8,364
Investment in subsidiaries	-	-	9,457	9,489
Loan to a subsidiary	-	-	34,481	34,626
Property, plant and equipment	33,528	33,826	8,529	8,625
Goodwill	4,630	4,630	-	-
Deferred tax assets	172	172	139	139
	49,281	48,119	62,139	61,256
Total Assets	**158,099**	**190,393**	**124,812**	**133,207**
Current Liabilities				
Trade and other payables	4,204	2,768	813	1,199
Other payables and accruals	5,963	6,054	4,065	4,575
Current tax liabilities	3,670	5,090	3,208	3,880
Borrowings	27,129	58,766	11,691	19,349
Due to subsidiaries - trade	-	-	11	5
	40,966	72,678	19,788	29,008
Non Current Liabilities				
Borrowings	336	1,349	-	-
Provision for directors' retirement gratuity	788	757	788	757
Deferred tax liabilities	112	112	-	-
	1,236	2,218	788	757
Total Liabilities	**42,202**	**74,896**	**20,576**	**29,765**
Net Assets	**115,897**	**115,497**	**104,236**	**103,442**
Share capital and reserves				
Share capital	30,154	30,154	30,154	30,154
Share premium	29,163	29,163	29,163	29,163
Capital reserves	(477)	(477)	1,430	1,430
Foreign currency translation reserve	(501)	(540)	-	-
Fair value reserve	1,475	-	1,169	-
Retained earnings	56,083	57,163	42,320	42,695
Interests of shareholders of the Company	115,897	115,463	104,236	103,442
Minority interests	-	34	-	-
	115,897	**115,497**	**104,236**	**103,442**

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 31.12.2005		As at 30.6.2005	
Secured	Unsecured	Secured	Unsecured
14	27,115	10	58,756

Amount repayable after one year ('000)

As at 31.12.2005		As at 30.6.2005	
Secured	Unsecured	Secured	Unsecured
3	333	16	1,333

Details of any collateral

The secured group borrowings and debt securities refer to equipment 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 05/06	2Q 04/05	1H 05/06	1H 04/05
Cash flow from operating activities				
Profit before tax	3,784	4,823	8,089	11,770
Adjustments for:				
Exchange differences	-	-	-	-
Provision for directors' retirement gratuity	15	21	31	46
Property, plant and equipment				
- depreciation	325	309	647	613
- loss on disposal	-	2	-	199
- written off	-	-	-	2
Allowance for/(write-back) of :				
- doubtful trade receivables	137	-	153	-
- slow moving inventories	(32)	11	(454)	140
Inventories written off	2	4	10	6
Allowance for trade receivables written back	22	(22)	(3)	(90)
Interest income	(57)	(50)	(116)	(98)
Interest expense	60	162	562	222
Dividend income	(181)	(150)	(211)	(180)
Operating cash flow before working capital changes	4,075	5,110	8,708	12,630
Changes in working capital:				
Inventories	13,322	(16,954)	16,391	(17,815)
Trade and other receivables	(269)	(19,687)	9,971	(17,333)
Other current assets	(35)	146	113	(64)
Trade payables	(627)	1,466	1,436	1,359
Other payables and accruals	389	(1,923)	162	139
Cash generated from operations	16,855	(31,842)	36,781	(21,084)
Income taxes paid	(1,688)	(1,492)	(3,359)	(2,079)
Interest paid	(216)	(71)	(815)	(152)
Interest received	104	97	117	98
Net cash generated from operating activities	15,055	(33,308)	32,724	(23,217)
Cash flows from investing activities				
Property, plant and equipment :				
- purchases	(55)	(351)	(349)	(381)
- proceeds from disposal	-	2	-	388
Repayment of staff loans	24	(10)	29	(8)
Investments				
- proceeds from disposal	-	(2)	-	39
Dividend received				
- other quoted investments	181	150	211	180
Net cash generated from/(used in) investing activities	150	(211)	(109)	218
Cash flow from financing activities				
Net proceeds from issue of shares	-	-	-	45
(Repayment)/draw down of Bank borrowings	(3,206)	32,797	(32,641)	21,306
Increase in finance lease obligation	-	-	-	(48)
Payment under finance lease obligations	(3)	(5)	(9)	(12)
Dividends paid	(7,236)	(3,618)	(7,236)	(3,618)
Net cash (used in)/generated from financing activities	(10,445)	29,174	(39,886)	17,673
Net exchange differences arising from translation	(31)	11	4	28
Net increase/(decrease) in cash and cash equivalents	4,729	(4,334)	(7,267)	(5,298)
Cash and cash equivalents at beginning of period	7,417	13,262	19,413	14,226
Cash and cash equivalents at end of period	12,146	8,928	12,146	8,928

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	Share Premium	Revaluation Reserves	Translation Reserve	Fair Value Reserve	Retained Profits	Minority Interest	Total
Group	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2005								
- As previously reported	30,154	29,163	(477)	(540)	-	57,163	34	115,497
- Effect of changes in accounting policies adjusted prospectively	-	-	-	-	1,247	-	-	1,247
- Restated	30,154	29,163	(477)	(540)	1,247	57,163	34	116,744
Currency translation differences	-	-	-	35	-	-	-	35
Fair value gains on available-for-sale financial assets	-	-	-	-	375	-	-	375
Net profit for 1st quarter	-	-	-	-	-	3,441	-	3,441
At 30 September 2005	30,154	29,163	(477)	(505)	1,622	60,604	34	120,595
Currency translation differences	-	-	-	4	-	-	-	4
Liquidation of subsidiary	-	-	-	-	-	-	(34)	(34)
Fair value gains on available-for-sale financial assets	-	-	-	-	(147)	-	-	(147)
Net profit for 2nd quarter	-	-	-	-	-	2,715	-	2,715
Dividend paid	-	-	-	-	-	(7,236)	-	(7,236)
At 31 December 2005	**30,154**	**29,163**	**(477)**	**(501)**	**1,475**	**56,083**	**-**	**115,897**
Group								
At 1 August 2004	30,127	29,146	(477)	(507)	-	39,173	95	97,557
Currency translation differences	-	-	-	(75)	-	-	(4)	(79)
Net profit for 1st quarter	-	-	-	-	-	5,518	9	5,527
Issue of shares	27	17	-	-	-	-	-	44
At 31 October 2004	30,154	29,163	(477)	(582)	-	44,691	100	103,049
Currency translation differences	-	-	-	(28)	-	-	(1)	(29)
Net profit for 2nd quarter	-	-	-	-	-	3,407	-	3,407
Dividend paid	-	-	-	-	-	(3,618)	-	(3,618)
At 31 January 2005	**30,154**	**29,163**	**(477)**	**(610)**	**-**	**44,480**	**99**	**102,809**

	Share Capital	Share Premium	Revaluation Reserves	Translation Reserve	Fair Value Reserve	Retained profits	Total
Company	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2005							
- As previously reported	30,154	29,163	1,430	-	-	42,695	103,442
- Effect of changes in accounting policies adjusted prospectively	-	-	-	-	1,044	-	1,044
- Restated	30,154	29,163	1,430	-	1,044	-	104,486
Fair value gains on available-for-sale financial assets	-	-	-	-	266	-	266
Net profit for 1st quarter	-	-	-	-	-	2,917	2,917
At 30 September 2005	30,154	29,163	1,430	-	1,310	45,612	107,669
Fair value gains on available-for-sale financial assets	-	-	-	-	(141)	-	(141)
Net profit for 2nd quarter	-	-	-	-	-	3,944	3,944
Dividend paid	-	-	-	-	-	(7,236)	(7,236)
At 31 December 2005	**30,154**	**29,163**	**1,430**	**-**	**1,169**	**42,320**	**104,236**
Company							
At 1 August 2004	30,127	29,146	1,430	-	-	27,056	87,759
Net profit for 1st quarter	-	-	-	-	-	6,321	6,321
Issue of shares	27	17	-	-	-	-	44
At 31 October 2004	30,154	29,163	1,430	-	-	33,377	94,124
Net profit for 2nd quarter	-	-	-	-	-	797	797
Dividend paid	-	-	-	-	-	(3,618)	(3,618)
At 31 January 2005	**30,154**	**29,163**	**1,430**	**-**	**-**	**30,556**	**91,303**

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

	31.12.05	30.06.05
	('000)	('000)
Number of shares that may be issued upon exercising all outstanding options	72	127

On 8 November 2005, the company announced a bonus issue of shares of 1 for 5 existing shares which was subsequently approved by the SGX on the 3rd January 2006. The bonus issue of shares of 60,309,790 was credited as fully paid by transferring the amount of $6,030,979 from the Share Premium account to the Share Capital account. Hence the number of fully paid up shares of $0.10 each increased from 301,459,000 to 361,858,790.These new shares were allotted and credited to the shareholders' account and were listed on the SGX on 25th January 2006.

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

Changes in accounting policies

In 2005, the Group and the Company adopted the Financial Reporting Standards (FRS) below. The 2004 comparatives have been amended where as required, in accordance with the relevant transitional provisions in the respective FRS.

A brief description of those FRS which have an impact on the financial statements of the Company and of the Group had been set out in the first quarter financial result announcement.

The adoption of these FRS did not have a material effect on the operating results for the second quarter of 2005 and for the half-year ended 31 December 2005.

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 31.12.05	3 months ended 31.01.05	6 months ended 31.12.05	6 months ended 31.01.05
Earnings per share based on profit attributable to equity shareholders:				
(a) Basic (cent)	0.90	1.46	2.04	3.29
(b) Diluted (cent)	0.75	1.46	1.70	3.29

Diluted EPS is based on an enlarged number of fully paid up shares base of 361,858,790 after taking into consideration of the bonus issue of 60,309,790 which was listed on the SGX on 25th January 2006.

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	
	31.12.05	30.06.05	31.12.05	30.06.05
Net Asset Value per ordinary share (cents)	38.43	38.30	34.57	34.30

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 2005 vs QUARTER ENDED 31 JANUARY 2005

Underlying demand for steel products remained buoyant. While the Group recorded a 10% increase in overall sales quantity, revenue for the quarter ended 2QFY06 declined by 12% to $45.9m, down from $52.2m in 2QFY05, due mainly to lower unit prices for steel plates. Prices for the Group's other steel products remained relatively stable during the quarter.

The last financial year ended 30 June 2005 (FY05) had been an exceptional year for the steel industry with record prices for steel products. However, prices had since retreated from record high as mills began to increase their supply since the middle of 2005. In particular, price correction for steel plates had been more pronounced. The market overstocking of steel plates at the end of the third quarter of 2005 had resulted in some industry players adopting aggressive pricing strategies that had affected the performance of the Group in the first two months of 2QFY06.

Despite weaker prices, demand remained healthy and this had allowed the Group to sharply reduce its steel plate inventory. The weaker performance of steel plates was well cushioned by the consistent and stable performance of the Group's other steel products. The 2QFY06 gross profit margins for the Group was 17.7%, down from the 20.1% achieved in 2QFY05, but slightly above the 17.6% achieved in 1QFY06. The Group achieved gross profit of S$8.1m in 2QFY06, a 3.9% improvement over 1QFY06.

Staff expenses were sharply lowered by 44% to $1.9m due to smaller provision for performance bonus. Other operating expenses increased by 14% were mainly because of expenses incurred for the Group's 60th anniversary celebrations.

REVIEW OF RESULTS FOR THE HALF YEAR ENDED 31 DECEMBER 2005

Turnover

For the half year ended 31 December 2005, revenue rose 4% to $90.5m from $87.0m over the corresponding period. The higher turnover achieved was a reflection of the sustained demand for steel products by the market although prices were weaker compared to the corresponding period.

Cost of goods sold rose 17% to $74.5m from $63.9m on the back of higher inventory costs. Pricing pressure on steel plates over the period of September to November 2005 also impacted overall gross profit margins for the Group, which declined to 17.7% compared to 26.5% achieved in the previous half year ended 31 January 2005 (1HFY05). 1HFY05 performance was also boosted by the exceptionally high selling prices for all steel products due to supply shortages, which had since improved in the second half of 2005. Gross profit for the half year ended December 2005 was $15.9m compared to $23.1m in the previous half year ended 31 January 2005.

Staff costs, Depreciation, Other operating expenses and Finance cost

Staff costs were lower by 36% to $3.9m due to a smaller provision for bonus on the back of lower profit. Despite higher expenses incurred in 2QFY06 for the Group's 60th anniversary celebrations, other operating expenses declined by 30% to $3.3m from $4.7m through better cost control of overheads.

Finance costs increased to $805,000 from $124,000 due to rising interest rates and comparatively higher working capital financing needed to support the increase in sale volume.

Profitability review

The Group achieved a commendable 1HFY06 net profit after tax of $6.2m.

REVIEW OF FINANCIAL POSITION AS AT 31 DECEMBER 2005

Non current assets

In accordance with the revised accounting standard FRS 103 on Business Combination, no amortisation of goodwill has been taken up for the period ended 31 December 2005. Management has reviewed the goodwill in accordance with FRS 103 and the revised FRS 36 and concluded that no impairment of goodwill is necessary.

Current assets and current liabilities

Trade and other receivables were lower at $44.8m compared with $55.1m due to lower turnover in the quarter and better collection effort for the quarter ended 31 December 2005.

Inventory holdings were reduced to $51.5m from $67.5m at June 2005. With a declining steel price environment, the Group took the strategic decision to reduce its inventory holdings so that the Group would be in the position to re-stock at a more attractive cost later.

Trade and other payables rose to $4.2m from $2.8m while borrowings declined significantly to $27.5m at end December 2005, down from $60.1m in June 2005. Better working capital management had resulted in a stronger operating cash flow during the period under review and the cash generated was used to repay the maturing trust receipts.

Non current liabilities

The decrease in the non current borrowings was due to reclassification of portion of the term loan to current liabilities as they matured.

Share Capital & reserves

On 8 November 2005, the company announced a bonus issue of shares of 1 for 5 existing shares which was subsequently approved by the SGX on the 3rd January 2006. The bonus issue of shares of 60,309,790 was credited as fully paid by transferring the amount of $6,030,979 from the Share Premium account to the Share Capital account. Hence the number of fully paid up shares of $0.10 each increased from 301,459,000 to 361,858,790.These new shares were allotted and credited to the shareholders' account and were listed on the SGX on 25th January 2006.

Cash flow

The Group generated a positiive operating cash inflow of $15.1 million for the quarter and $32.7 million for the half year ended 31 December 2005. The Group was able to do this by reducing the Group's inventory holdings and tighter receivables' collection. The positive cash flow had enabled the Group to repay a significant portion of its borrowings which made up mostly of trust receipts as they matured. This would also allow the Group to position itself to make purchases when prices of steel supplies become more favourable in the future.

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

Underlying demand for the Group's steel products is expected to remain firm, underpinned by the strong order backlog for the Group's major customers in the Marine and Oil & Gas sectors. The major ship and rigbuilding yards' recent announcements of new orders also point to the sustainability of demand, especially for the Group's steel products. Meanwhile, expectations are for the construction sector demand to pick up in the second half of 2006, which would boost demand for the Group's structural steel products.

Outlook for structural steel products has improved with market supply and prices stabilised in December 2005. Demand for the Group's other steel products will remain strong and is expected to continue into the 2nd half of the financial year.

In the circumstances, the Directors expect gross profit margins to remain stable in 2HFY06.

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
9 Feb 2006