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) An income statement and statement of comprehensive income, or a statement of comprehensive income for the corresponding period of the immediately preceding financial year

The following figures have not been audited or reviewed.

	GROUP (S$'000)		
	1QFY12 30.09.11	1QFY11 30.09.10	% +/(-)
Revenue	52,475	45,955	14%
Changes in inventories	(7,614)	(13,707)	-44%
Purchases of inventories	(37,037)	(25,780)	44%
Gross profit	7,824	6,468	21%
Other operating income	208	135	54%
Staff cost	(2,066)	(2,182)	-5%
Depreciation	(456)	(376)	21%
Other operating expenses	(2,071)	(1,990)	4%
Finance cost - net	(1,398)	158	NM
Profit before tax	2,041	2,213	-8%
Income tax expense	(347)	(376)	-8%
Total profit	1,694	1,837	-8%
Other comprehensive income/(expenses):			
Currency translation differences arising from consolidation	16	(12)	NM
Fair value (loss)/gain on available-for-sale financial assets	(266)	127	NM
Total comprehensive income	1,444	1,952	-26%
Profit attributable to Equity holders of the Company	1,694	1,837	-8%
Total comprehensive income attributable to Equity holders			
of the Company	1,444	1,952	-26%
Earnings per share based on profit attributable to equity shareholders:			
- Basic (cent) - see section 6	0.27	0.29	
- Diluted (cent) - see section 6	0.27	0.29	

NM : Not meaningful

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

	GROUP (S$'000)	
	1QFY12 30.09.11	1QFY11 30.09.10
Dividend income	53	49
Interest income	128	85
Profit on sale of available-for-sale financial assets	4	-
Foreign exchange gain/(loss)	63	(402)
Finance cost-net is made up of :		
Interest expense	(40)	(85)
Foreign exchange (loss)/gain arising from borrowings – trust receipts	(1,358)	243
Write-back of allowance for trade receivables	29	-

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	GROUP		COMPANY	
	30.09.2011 S$'000	30.06.2011 S$'000	30.09.2011 S$'000	30.06.2011 S$'000
Current Assets				
Cash and cash equivalents	80,170	75,834	41,323	44,163
Trade and other receivables	54,293	51,204	9,062	8,201
Inventories	58,106	65,720	29,264	33,119
Other current assets	276	199	106	74
Due from subsidiaries	-	-	8,648	7,870
	192,845	192,957	88,403	93,427
Non Current Assets				
Available-for-sale financial assets	6,040	6,306	6,040	6,306
Investment in club membership	57	57	-	-
Investment in subsidaries	-	-	9,457	9,457
Loan to a subsidiary	-	-	36,244	36,579
Property, plant and equipment	27,914	28,309	333	336
Investment properties	14,157	14,188	6,814	6,822
Goodwill	4,630	4,630	-	-
Deferred income tax assets	146	61	-	-
	52,944	53,551	58,888	59,500
Total Assets	**245,789**	**246,508**	**147,291**	**152,927**
Current Liabilities				
Trade and other payables	14,612	19,636	2,814	4,422
Current income tax liabilities	2,120	1,935	746	581
Borrowings	21,526	15,338	623	2,470
Due to subsidiaries - trade	-	-	1,153	1,153
Provision for directors' retirement gratuity	-	269	-	269
Dividend payable	-	3,118	-	3,118
	38,258	40,296	5,336	12,013
Non Current Liabilities				
Provision for directors' retirement gratuity	836	854	836	854
Deferred income tax liabilities	861	898	515	515
	1,697	1,752	1,351	1,369
Total Liabilities	**39,955**	**42,048**	**6,687**	**13,382**
Net Assets	**205,834**	**204,460**	**140,604**	**139,545**
Share capital and reserves				
Share capital	107,485	107,485	107,485	107,485
Treasury shares	(1,083)	(1,013)	(1,083)	(1,013)
Capital reserves	(1,216)	(1,216)	707	707
Currency translation reserves	(805)	(821)	-	-
Fair value reserves	699	965	700	965
Retained earnings	100,754	99,060	32,795	31,401
	205,834	**204,460**	**140,604**	**139,545**

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand (S$'000)

As at 30.9.2011		As at 30.6.2011	
Secured	Unsecured	Secured	Unsecured
-	21,526	-	15,338

Amount repayable after one year (S$'000)

As at 30.9.2011		As at 30.6.2011	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

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 and bank borrowings. Certain Group borrowings are covered by corporate guarantee from the Company.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group (S$'000)	
	1QFY12 30.09.11	1QFY11 30.09.10
Cash flow from operating activities		
Total profit	1,694	1,837
Adjustments for :		
- Income tax expense	347	376
- Property, plant and equipment and investment properties		
- Depreciation	456	376
- Available-for sale financial assets		
- Gain on disposal	(4)	-
- Interest income	(128)	(85)
- Interest expense	40	85
- Dividend income	(53)	(49)
	2,352	2,540
Change in working capital		
- Inventories	7,614	13,707
- Trade and other receivables	(3,089)	3,487
- Derivative financial instruments	-	(7)
- Trade and other payables	(5,324)	(12,204)
- Provision for directors' retirement gratuity	13	16
- Other current assets	(77)	(276)
Cash generated from operations	1,489	7,263
Income tax paid	(284)	(423)
Interest received	128	85
Net cash generated from operating activities	1,333	6,925
Cash flows from investing activities		
Property, plant & equipment :		
- Purchases	(30)	(3,105)
Financial assets, available-for-sale		
- Proceeds from disposal	4	-
Dividends received	53	49
Net cash from/(used in) investing activities	27	(3,056)
Cash flows from financing activities		
Purchase of treasury shares	(70)	(12)
Proceeds from trust receipts	31,266	23,877
Repayment of trust receipts	(25,078)	(38,751)
Dividend paid to shareholders	(3,118)	-
Repayment of term loan	-	(253)
Interest paid	(40)	(85)
Net cash from/(used in) financing activities	2,960	(15,224)
Net increase/(decrease) in cash and cash equivalents	4,320	(11,355)
Cash and cash equivalents at beginning of the financial period	75,834	77,814
Effects of currency translation on cash and cash equivalents	16	(27)
Cash and cash equivalents at end of the financial period	80,170	66,432

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	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
At 1 July 2011	107,485	(1,013)	(1,216)	(821)	965	102,178	207,578
Purchase of treasury shares	-	(70)	-	-	-	-	(70)
Dividend paid	-	-	-	-	-	(3,118)	(3,118)
Total comprehensive (expenses)/income for 1st quarter	-	-	-	16	(266)	1,694	1,444
At 30 September 2011	**107,485**	**(1,083)**	**(1,216)**	**(805)**	**699**	**100,754**	**205,834**
Group							
At 1 July 2010	107,485	(788)	(1,216)	(595)	942	95,842	201,670
Purchase of treasury shares	-	(12)	-	-	-	-	(12)
Total comprehensive (expenses)/income for 1st quarter	-	-	-	(12)	127	1,837	1,952
At 30 September 2010	**107,485**	**(800)**	**(1,216)**	**(607)**	**1,069**	**97,679**	**203,610**

	Share Capital	Treasury Shares	Capital Reserves	Currency Translation Reserves	Fair Value Reserves	Retained Earnings	Total Equity
Company	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
At 1 July 2011	107,485	(1,013)	707	-	965	34,519	142,663
Purchase of treasury shares	-	(70)	-	-	-	-	(70)
Dividend paid	-	-	-	-	-	(3,118)	(3,118)
Total comprehensive (expenses)/income for 1st quarter	-	-	-	-	(265)	1,394	1,129
At 30 September 2011	**107,485**	**(1,083)**	**707**	**-**	**700**	**32,795**	**140,604**
Company							
At 1 July 2010	107,485	(788)	707	-	942	36,882	145,228
Purchase of treasury shares	-	(12)	-	-	-	-	(12)
Total comprehensive income for 1st quarter	-	-	-	-	127	731	858
At 30 September 2010	**107,485**	**(800)**	**707**	**-**	**1,069**	**37,613**	**146,074**

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 well as the number of shares held as treasury shares, if any, 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 339,000 shares for $70K by way of on market purchase on the Singapore Exchange Securities Trading Limited during the period.

Treasury Shares	No. of shares	$'000
Balance as at 30 Jun 2011	3,816,000	1,013
Purchases	339,000	70
Balance as at 30 Sep 2011	4,155,000	1,083

(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.

	30.09.11	30.06.11
Number of shares in issue	623,215,610	623,554,610

(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.

Not applicable. 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.

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.

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, there were no such changes.

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	
	1QFY12 30.09.11 (Note 1)	1QFY11 30.09.10
Earnings per share based on profit attributable to equity shareholders:		
(a) Basic (cent)	0.27	0.29
(b) Diluted (cent)	0.27	0.29

Note 1 : The basic and diluted earnings per share is calculated based on the weighted average number of ordinary shares of 623,289,067(30.09.10: 624,521,958) 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	
	30.09.11	30.06.11	30.09.11	30.06.11
Net Asset Value per ordinary share (cents)	33.03	33.29	22.56	22.88

The net asset value per ordinary share is calculated based on the number of ordinary shares in issue of 623,215,610 at the end of the period (30.06.11: 623,554,610).

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

Revenue and margin

	$'000		
	1QFY12	*4QFY11*	*1QFY11*
Revenue	52,475	53,959	45,955
Gross Profit	7,824	8,343	6,468
GP %	*14.9%*	*15.5%*	*14.1%*

Revenue for 1QFY12 was $52.5M, representing an increase of 14% over the corresponding quarter of $46.0M (1QFY11). The better performance was mainly due to improved demand for structural steel products, pipes and fittings.

However, compared with the last quarter, revenue decreased slightly by 2.8% from $54.0M to $52.5M. Demand from the marine and oil & gas sectors was relatively lower thereby resulting in a decline in revenue.

Comparing 1QFY12 with 1QFY11, gross profit has improved from $6.5M in 1QFY11 to $7.8M in 1QFY12. Slightly better selling prices caused margin to increase to 14.9% from 14.1%. However, comparing 1QFY12 with 4QFY11, gross profit and margin in 1QFY12 decreased marginally from $8.3M to $7.8M and from 15.5% to 14.9% respectively as a higher proportion of 1QFY12 revenue was made up of lower margin project sales.

Other operating income

Other operating income for 1QFY12 of $208K was higher than last year's corresponding quarter of $135K, mainly due to higher interest and dividends income received.

Staff costs, Depreciation, Other operating expenses and Finance cost

Manpower costs in 1QFY12 decreased to $2.1M from $2.2M in 1QFY11 due to a lower headcount.

During the period, depreciation increased to $456K from $376K as one of the Group's newly redeveloped warehouses became operational, thereby triggering depreciation of the redevelopment costs.

Other operating expenses for 1QFY12 increased by 4% to $2.1M (1QFY11: $2.0M) mainly due to higher sales volume when compared with 1QFY11.

Finance cost - net for 1QFY12 was made up of interest expense of $40K (1QFY11: $85K) and exchange loss of $1,358K (1QFY11: $243K exchange gain) resulting in a net loss of $1,398K compared with a net gain of $158K for 1QFY11. The Group incurred relatively low interest expense as it continues with efforts to pay down its borrowings. Part of these borrowings were in the form of US dollar denominated trust receipts and as the US dollar unexpectedly appreciated strongly towards the end of the quarter, the Group registered a loss on foreign exchange.

Profitability review

In spite of a higher revenue reported, the net profit after tax for 1QFY12 fell slightly to $1.7M from $1.8M in 1QFY11. The lower net profit was mainly affected by the foreign exchange loss arising from the translation of US dollar denominated borrowings into Singapore dollar.

REVIEW OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2011

Non current assets

Available-for-sale financial assets, decreased to $6.0M from $6.3M as the market prices for bond and equities dipped during the quater.

Current assets and current liabilities

Trade and other receivables rose to $54.3M from $51.2M in tandem with the increased turnover.

Inventories decreased to $58.1M from $65.7M as the Group adopted a cautious purchasing programme in view of the volatile market.

Trade and other payables declined to $14.6M from $19.6M as the Group utilised its cash collection to pay down its liabilities as they fell due.

The increase in borrowings was mainly due to more facilities being utilised to finance the Group's purchasing activities. Borrowings stood at $21.5M as at 1QFY12 as compared with $15.3M as at 4QFY11.

Share capital and reserves

During the quarter, the Group continued to exercise its Share Buyback Mandate and purchased another 339,000 shares worth $70K from the open market. These are kept as treasury shares and reduce the amount of paid up share capital as at 30 September 2011.

Fair value reserves fell to $699K from $965K due to decreases in the market values of the Group's available-for-sale financial assets during the quarter.

Cashflow

During the quarter, the Group continued to generate positive cash flow from its operating activities through cautious and selective inventory purchases and sustained collection effort on its trade receivables. The cash collected was then deployed to pay dividend and trust receipts.

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 unresolved Eurozone debt crisis coupled with the slow growth in the US have created many uncertainties in the global markets and consumer confidence has become fragile. These developments are beginning to have impact on the Asian economies and Asian governments are reporting slower growth and reduced forecast economic growth rates. Hence, market conditions are expected to become more challenging for the Group.

In addition, the sudden and huge appreciation of the US dollar against the Singapore dollar impacted the Group's profitability negatively. The Group will monitor the strength of the US dollar closely and take necessary hedging actions to protect itself against wide fluctuations in the exchange rates in the midst of the volatile environment.

The Group continues to supply to ongoing local projects in the oil & gas, marine and construction sectors. However, the global market turmoil is causing customers to turn cautious with their purchasing decisions. It will strive to provide more timely services to its customers to meet their needs.

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.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

There was no IPT transaction for the quarter and the Group does not have any general mandate from shareholders pursuant to Rule 920.

BY ORDER OF THE BOARD
Tan Cher Liang
Company Secretary
9 November 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 1QFY12 financial results to be false or misleading in any material aspects.

On behalf of the Board of Directors

Lim Kim Thor
CEO/MD
9 November 2011

Lim Boh Chuan
Deputy MD