HUPSteel Limited
3QFY12 FINANCIAL STATEMENT (UNAUDITED)

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL-YEAR RESULTS

1(a) Group statement of comprehensive income and comparative statement for the corresponding period of the immediately preceding financial year

The following figures have not been audited.

	GROUP (S$'000)					
	3Q FY12	3Q FY11	% +/(-)	1.7.11 - 31.3.12	1.7.10 - 31.3.11	% +/(-)
Continuing operations						
Revenue	68,289	45,579	50%	184,233	135,480	36%
Changes in inventories	(7,446)	(1,494)	398%	2,581	(11,271)	NM
Purchases of inventories	(54,249)	(36,755)	48%	(165,371)	(104,007)	59%
Gross profit	6,594	7,330	-10%	21,443	20,202	6%
Other operating income	463	272	70%	1,012	618	64%
Staff cost	(2,552)	(2,311)	10%	(6,607)	(6,286)	5%
Depreciation	(460)	(458)	0%	(1,373)	(1,208)	14%
Other operating expenses	(2,919)	(2,178)	34%	(6,845)	(6,237)	10%
Finance cost - net	602	82	634%	(1,133)	491	NM
Profit before tax	1,728	2,737	-37%	6,497	7,580	-14%
Income tax expense	(293)	(493)	-41%	(1,104)	(1,259)	-12%
Profit from continuing operations	1,435	2,244	-36%	5,393	6,321	-15%
Discontinued operations						
Profit from discontinued operations	-	3,344	NM	-	3,001	NM
Total profit	1,435	5,588	-74%	5,393	9,322	-42%
Other comprehensive income/(expenses) :						
Currency translation differences arising from consolidation	(9)	(14)	-36%	29	(125)	NM
Fair value gains on available-for-sale financial assets	191	54	254%	23	142	-84%
Total comprehensive income	1,617	5,628	-71%	5,445	9,339	-42%
Profit attributable to Equity holders of the Company	1,435	5,588	-74%	5,393	9,322	-42%
Total comprehensive income attributable to Equity holders of the Company	1,617	5,628	-71%	5,445	9,339	-42%
Earnings per share based on profit attributable to equity shareholders:						
- Basic (cent)	0.23	0.36		0.87	1.01	
- Diluted (cent)	0.23	0.36		0.87	1.01	

Note : NM : not meaningful

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

	GROUP (S$'000)			
	3Q FY12	3Q FY11	1.7.11 - 31.3.12	1.7.10 - 31.3.11
Dividend income	92	38	167	230
Interest income	205	100	458	283
Profit on sale of property, plant and equipment - net	-	3,439	-	3,448
Profit on sale of available-for-sale financial assets	-	-	4	-
Plant and equipment written off	-	(4)	-	(4)
Foreign exchange (loss)/gain	(288)	(86)	153	(1,052)
Finance cost-net is made up of :				
Interest expense	(210)	(65)	(409)	(192)
Foreign exchange gain/(loss) arising from borrowings (trust receipts)	812	147	(724)	683
Bad debts recovered	-	-	9	4
Write-back of allowance/(Allowance) for trade receivables	-	-	89	(112)
Trade receivables written off	-	(1)	-	(1)
Inventories written off	-	(5)	-	(5)

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	
	31.03.2012	30.06.2011	31.03.2012	30.06.2011
	$'000	$'000	$'000	$'000
Current Assets				
Cash and cash equivalents	58,715	75,834	34,263	44,163
Trade and other receivables	62,424	51,204	8,822	8,201
Inventories	68,301	65,720	24,659	33,119
Other current assets	328	199	128	74
Due from subsidiaries	-	-	9,327	7,870
	189,768	192,957	77,199	93,427
Non Current Assets				
Available-for-sale financial assets	15,097	6,306	15,097	6,306
Investment in club membership	57	57	-	-
Investment in subsidaries	-	-	9,457	9,457
Loan to a subsidiary	-	-	36,689	36,579
Property, plant and equipment	27,599	28,309	324	336
Investment properties	14,095	14,188	6,797	6,822
Goodwill	4,630	4,630	-	-
Deferred income tax assets	146	61	-	-
	61,624	53,551	68,364	59,500
Total Assets	**251,392**	**246,508**	**145,563**	**152,927**
Current Liabilities				
Trade and other payables	9,902	19,636	2,138	4,422
Current income tax liabilities	1,275	1,935	858	581
Borrowings	31,988	15,338	288	2,470
Due to subsidiaries - trade	-	-	1,221	1,153
Provision for directors' retirement gratuity	-	269	-	269
Dividend payable	-	3,118	-	3,118
	43,165	40,296	4,505	12,013
Non Current Liabilities				
Provision for directors' retirement gratuity	858	854	858	854
Deferred income tax liabilities	861	898	515	515
	1,719	1,752	1,373	1,369
Total Liabilities	**44,884**	**42,048**	**5,878**	**13,382**
Net Assets	**206,508**	**204,460**	**139,685**	**139,545**
Share capital and reserves				
Share capital	107,485	107,485	107,485	107,485
Treasury shares	(1,294)	(1,013)	(1,294)	(1,013)
Capital reserves	(1,216)	(1,216)	707	707
Currency translation reserves	(792)	(821)	-	-
Fair value reserves	988	965	988	965
Retained profits	101,337	99,060	31,799	31,401
	206,508	**204,460**	**139,685**	**139,545**

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 31.03.2012		As at 30.6.2011	
Secured	Unsecured	Secured	Unsecured
-	31,988	-	15,338

Amount repayable after one year ($'000)

As at 31.03.2012		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. 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)			
	3Q FY12	3Q FY11	1.7.11 - 31.3.12	1.7.10 - 31.3.11
Cash flow from operating activities				
Total profit	1,435	5,588	5,393	9,322
Adjustments for:				
-Income tax expense	293	493	1,104	1,258
- Property, plant and equipment and investment properties				
- Depreciation	460	459	1,373	1,213
- Written off	-	4	-	4
- Net gain on disposal	-	(3,439)	-	(3,448)
- Available-for-sale financial assets				
- Gain on disposal	-	-	(4)	-
- Interest income	(205)	(100)	(458)	(283)
- Interest expense	210	65	409	192
- Dividend income	(92)	(38)	(167)	(230)
	2,101	3,032	7,650	8,028
Change in working capital				
- Inventories	7,446	1,494	(2,581)	11,453
-Trade and other receivables	8,034	(4,431)	(11,220)	7,127
-Trade and other payables	1,120	(1,285)	(13,152)	(16,939)
-Provision for director retirement gratuity	11	15	35	46
-Other current assets	30	35	(129)	(123)
Cash generated from/(used in) operations	18,742	(1,140)	(19,397)	9,592
Income taxes paid	(724)	(614)	(1,886)	(1,654)
Interest received	205	100	458	283
Net cash provided by/(used in) operating activities	18,223	(1,654)	(20,825)	8,221
Cash flows from investing activities				
Property, plant & equipment :				
- Purchases	(10)	(639)	(351)	(5,178)
- Proceeds from disposal	-	3,439	-	3,448
Financial assets, available-for-sale				
- Purchases	(3,758)	(1,500)	(8,768)	(1,500)
- Proceeds from disposal	-	-	4	-
Dividends received	92	38	167	230
Net cash (used in)/provided by investing activities	(3,676)	1,338	(8,948)	(3,000)
Cash flows from financing activities				
Purchase of treasury shares	(99)	(86)	(281)	(98)
Proceeds from trust receipts	34,927	21,746	136,040	65,350
Repayment of trust receipts	(52,357)	(27,434)	(119,609)	(76,709)
Dividend paid to shareholders	-	-	(3,116)	(3,122)
Repayment of term loan	-	(2,227)	-	(2,728)
Interest paid	(210)	(65)	(409)	(192)
Net cash (used in)/provided by financing activities	(17,739)	(8,066)	12,625	(17,499)
Net decrease in cash and cash equivalents	(3,192)	(8,382)	(17,148)	(12,278)
Cash and cash equivalents at beginning of the financial period	61,916	73,793	75,834	77,814
Effects of currency translation on cash and cash equivalents	(9)	(13)	29	(138)
Cash and cash equivalents at end of the financial period	58,715	65,398	58,715	65,398

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 Profits	Total Equity
Group	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2011	107,485	(1,013)	(1,216)	(821)	965	99,060	204,460
Purchase of treasury shares	-	(281)	-	-	-	-	(281)
Dividend paid	-	-	-	-	-	(3,116)	(3,116)
Total comprehensive income	-	-	-	29	23	5,393	5,445
At 31 March 2012	**107,485**	**(1,294)**	**(1,216)**	**(792)**	**988**	**101,337**	**206,508**
Group							
At 1 July 2010	107,485	(788)	(1,216)	(595)	942	95,842	201,670
Purchase of treasury shares	-	(98)	-	-	-	-	(98)
Dividend paid	-	-	-	-	-	(3,122)	(3,122)
Total comprehensive income	-	-	-	(125)	142	9,322	9,339
At 31 March 2011	**107,485**	**(886)**	**(1,216)**	**(720)**	**1,084**	**102,042**	**207,789**

	Share Capital	Treasury shares	Capital Reserves	Currency Translation Reserves	Fair Value Reserves	Retained Profits	Total Equity
Company	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2011	107,485	(1.013)	707	-	965	31,401	139,545
Purchase of treasury shares	-	(281)	-	-	-	-	(281)
Dividend paid	-	-	-	-	-	(3,116)	(3,116)
Total comprehensive income	-	-	-	-	23	3,514	3,537
At 31 March 2012	**107,485**	**(1,294)**	**707**	**-**	**988**	**31,799**	**139,685**
Company							
At 1 July 2010	107,485	(788)	707	-	942	36,882	145,228
Purchase of treasury shares	-	(98)	-	-	-	-	(98)
Dividend paid	-	-	-	-	-	(3,122)	(3,122)
Total comprehensive income	-	-	-	-	142	2,013	2,155
At 31 March 2011	**107,485**	**(886)**	**707**	**-**	**1,084**	**35,773**	**144,163**

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

Under the Share buyback mandate approved by shareholders, the Company purchased a total of 1,394,000 shares for $281K by way of on market purchase on the Singapore Exchange Securities Trading Limited during the quarter.

Treasury Shares	No. of shares	$'000
Balance as at 30 Jun 2011	3,816,000	1,013
Purchases	1,394,000	281
Balance as at 31 March 2012	5,210,000	1,294

(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.

	31.03.12	30.06.11
Number of shares in issue	622,160,610	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.

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 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.

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.

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 31.03.12 (note 1)	3 months ended 31.03.11	9 months ended 31.03.12 (note 1)	9 months ended 31.03.11
Earnings per share based on profit attributable to equity shareholders:				
(a) Basic (cent)	0.23	0.36	0.87	1.01
(b) Diluted (cent)	0.23	0.36	0.87	1.01

Note 1 : The basic and diluted earnings per share is calculated based on the weighted average number of ordinary shares of 623,044,781 (31.03.11: 624,427,402) 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	
	31.03.12	30.06.11	31.03.12	30.06.11
Net Asset Value per ordinary share (cents)	33.21	33.29	22.45	22.88

The net asset value per ordinary share is calculated based on the number of ordinary shares in issue of 622,160,610 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

REVIEW OF OPERATING PERFORMANCE FOR THE QUARTER ENDED 31 MARCH 2012 ("3QFY12")

Revenue and Gross profit

			$'000		
	3QFY12	***2QFY12***	***3QFY11***	***9MFY12***	***9MFY11***
Revenue	68,289	63,469	45,579	184,233	135,480
Gross Profit	6,594	7,025	7,330	21,443	20,202
GP %	*9.7%*	*11.1%*	*16.1%*	*11.6%*	*14.9%*

Revenue for 3QFY12 increased to $68.3M from $63.5M reported for 2QFY12 and represented nearly 50% jump from 3QFY11 revenue of $45.6M. The increase in sales revenue and volume when compared with 3QFY11 was mainly due to the higher bulk sales of structural steel products to overseas customers in the marine sector. The Group also took steps to accelerate its growth in sales volume in the last 2 quarters through a higher turnover of its stock holding. A higher stock turnover has the benefit of cushioning the Group from any sudden and adverse changes in market prices arising from the uncertain global economic conditions. As a result, the revenue for 9MFY12 rose 36% to $184.2M from $135.5M reported for 9MFY11.

Although revenue increased, the gross profit margin for the quarter slid to 9.7% (2QFY12: 11.1%). The 9MFY12 gross profit margin was also lower at 11.6% compared with 14.9% reported for 9MFY11. This arose as a larger proportion of the quarterly sales was made up of bulk orders which were generally higher in contractual value but at a lower margin. With stronger competition and flat demand in the market, the Group strategically lower the margin of some of its products in order to gain a larger market share. Also, as the US dollar suddenly strengthened in the second half of calendar year 2011, inventory purchased in the earlier quarters become more expensive and thereby further depressing the gross profit margin.

Other operating income

Other operating income for 3QFY12 of $463K was higher than $272K of 3QFY11 mainly due to higher interest income earned.

Staff cost, Other operating expenses and Finance cost

Staff cost for 3QFY12 rose slightly to $2.6M from $2.3M in 3QFY11. This was in line with the higher sales volume and incentives.

Other operating expenses increased to $2.9M in 3QFY12 (3QFY11 : $2.2M) mainly due to increased shipping rates, higher freight and handling charges incurred which were in line with the higher sales volume reported for the quarter. The higher expenses in 3QFY12 were also partially due to a foreign exchange losses of $288K (3QFY11:$86K) on the realisation of trade receivables denominated in USD.

Finance cost-net in 3QFY12 was made up of interest expense of $210K (3QFY11: $65K) and exchange gain of $812K (3QFY11: $147K exchange gain) resulting in a net gain of $602K compared with a net gain of $82K for 3QFY11. Higher interest expense incurred arose from the higher balance of bank borrowings that were utilised for purchases while the exchange gain was derived from the revaluation of US denominated borrowings as the US dollar weakened during the quarter.

Profit attributable to equity holders of the Company

Total profit after tax for continuing operations in 3QFY12 was $1.4M, lower than $2.2M for 3QFY11. This was primarily due to the lower margin bulk orders, a highly competitive market and further compounded by higher material costs caused by the stronger US dollar in the earlier months.

Total profit after tax for 3QFY11 was $5.6M which included a gain of $3.3M arising from the disposal of a property from a discontinued operation.

REVIEW OF FINANCIAL POSITION AS AT 31 MARCH 2012

Non current assets

The Group's available-for-sale assets stood at $15.1M, more than double the amount held at 4QFY11 as the Group purchased various marketable bonds for higher yields.

Current assets and current liabilities

Trade and other receivables rose to $62.4M from $51.2M (4QFY11). This was mainly due to the higher sales during the period.

The Group had inventory of $68.3M as at the end of 3QFY12 compared with $65.7M in 4QFY11. The higher inventory balance was needed to fulfil contracted orders on hand.

Trade and other payables fell from $19.6M to $9.9M as the Group utilised its cash and cash equivalents to pay down its liabilities as they fall due.

Borrowings increased by more than two-fold to $32.0M from $15.3M (4QFY11). The increase in borrowings was mainly due to more facilities being utilised to finance the Group's higher purchasing volume to meet existing and contracted orders.

The Group continued to post a healthy level of current ratio of 4.4 times (4QFY11: 4.8 times) and was in a net cash position for the quarter.

Share capital and reserves

During the quarter, the Group continued to exercise its Share Buyback Mandate and purchased 477,000 shares worth $99k from the open market. A total of 5,210,000 shares are held as treasury shares as at 31 March 2012.

Fair value reserves increased to $988K from $965K due to the increase in the market value of the Group's available-for-sale financial assets as at 31 March 2012.

Cash Flow

For 9MFY12, net cash used in operating activities and investing activities was $20.8M and $8.9M respectively with a net cash inflow of $12.6M from financing activities. These resulted in a net decrease of $17.1M in cash and cash equivalents.

However, the Group maintained a healthy level of cash holding of $58.7M as at 3QFY12. This cash holding will provide the Group with a ready source of fund for its working capital requirements.

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 outlook for the world economy remains uncertain and local demand is not expected to strengthen in the near term. In the last 2 quarters, the Group increased its sale by selling more to the region as local demand remained soft and by offerring a more competitive pricing in the local market. With the higher sales volume, stock turnover has become faster and this provided the Group with an opportunity to take advantage of the competitive pricing offerred in the market when it replenishes its stock holding. Therefore the Group could hope to improve its margin slightly in the coming months.

As oil prices remain high, it will stimulate activities within the oil & gas and marine industries which in turn will generate demand for the Group's products. At the same time, with the government expanding its housing programme aggressively, the Group is looking forward to supply more when the construction begins.

The Group has years of industry experience and core competencies in managing the business and is expected to ride out the current lacklustre market condition. It is expected to remain profitable for the current financial year ending 30 June 2012.

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

NA.

(d) Books closure date

NA.

12. If no dividend has been declared/recommended, a statement to that effect

No dividend has been declared for the quarter ended 31 March 2012.

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
10 May 2012

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 3QFY12 financial results to be false or misleading in any material aspects.

On behalf of the Board of Directors

Lim Kim Thor
CEO & Managing Director
10 May 2012

Lim Boh Chuan
Deputy MD