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)		
	1QFY13 30.09.12	1QFY12 30.09.11	% +/(-)
Revenue	34,974	52,475	-33%
Changes in inventories	5,982	(7,614)	NM
Purchases of inventories	(36,232)	(37,037)	-2%
Gross profit	4,724	7,824	-40%
Other operating income	323	208	55%
Staff cost	(1,859)	(2,066)	-10%
Depreciation	(462)	(456)	1%
Other operating expenses	(2,039)	(2,071)	-2%
Finance cost - net	(293)	(1,398)	-79%
Profit before income tax	394	2,041	-81%
Income tax expense	(67)	(347)	-81%
Total profit	327	1,694	-81%
Other comprehensive income/(loss):			
Currency translation differences arising from consolidation	(13)	15	NM
Fair value gain/(loss) on available-for-sale financial assets	128	(265)	NM
Total comprehensive income	442	1,444	-69%
Profit attributable to Equity holders of the Company	327	1,694	-81%
Total comprehensive income attributable to Equity holders of the Company	442	1,444	-69%
Earnings per share based on profit attributable to equity shareholders:			
- Basic (cent) - see section 6	0.05	0.27	
- Diluted (cent) - see section 6	0.05	0.27	

NM : Not meaningful

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

	GROUP (S$'000)	
	1QFY13 30.09.12	1QFY12 30.09.11
Dividend income	52	53
Interest income	209	128
Profit on sale of available-for-sale financial assets	-	4
Foreign exchange (loss)/gain	(125)	63
Finance cost-net is made up of :		
Interest expense	(104)	(40)
Foreign exchange gain/(loss) arising from borrowings – trust receipts	186	(1,358)
Fair value/foreign exchange loss on derivative financial instruments not qualifying as hedges	(375)	-
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	
	30.09.2012	30.06.2012	30.09.2012	30.06.2012
	$'000	$'000	$'000	$'000
Current Assets				
Cash and cash equivalents	48,353	61,759	24,855	37,063
Trade and other receivables	43,612	58,757	7,609	8,943
Inventories	71,840	65,858	21,311	24,657
Other current assets	853	217	128	89
Due from subsidiaries	-	-	20,397	9,827
	164,658	186,591	74,300	80,579
Non Current Assets				
Available-for-sale financial assets	17,932	14,011	17,932	14,011
Investment in club membership	43	43	-	-
Investment in subsidaries	-	-	9,457	9,457
Loan to a subsidiary	-	-	36,775	36,412
Property, plant and equipment	26,880	27,183	330	323
Investment properties	14,032	14,063	6,779	6,788
Goodwill	4,630	4,630	-	-
Deferred income tax assets	132	129	-	-
	63,649	60,059	71,273	66,991
Total Assets	**228,307**	**246,650**	**145,573**	**147,570**
Current Liabilities				
Trade and other payables	5,229	15,551	2,342	4,990
Current income tax liabilities	1,250	1,444	776	855
Derivative financial instruments	362	181	-	-
Borrowings	14,333	22,795	399	850
Due to subsidiaries - trade	-	-	1,642	1,229
Provision for directors' retirement gratuity	-	-	-	-
Dividend payable	-	-	-	-
	21,174	39,971	5,159	7,924
Non Current Liabilities				
Provision for directors' retirement gratuity	882	870	882	854
Deferred income tax liabilities	818	818	515	515
	1,700	1,688	1,397	1,369
Total Liabilities	**22,874**	**41,659**	**6,556**	**9,293**
Net Assets	**205,433**	**204,991**	**139,017**	**138,277**
Share capital and reserves				
Share capital	107,485	107,485	107,485	107,485
Treasury shares	(1,335)	(1,335)	(1,335)	(1,335)
Capital reserves	(1,216)	(1,216)	707	707
Currency translation reserves	(863)	(850)	-	-
Fair value reserves	1,030	902	1,030	902
Retained profits	100,332	100,005	31,130	30,502
	205,433	**204,991**	**139,017**	**138,261**

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 30.9.2012		As at 30.6.2012	
Secured	Unsecured	Secured	Unsecured
-	14,333	-	22,795

Amount repayable after one year (S$'000)

As at 30.9.2012		As at 30.6.2012	
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)	
	1QFY13 30.09.12	1QFY12 30.09.11
Cash flow from operating activities		
Total profit	327	1,694
Adjustments for :		
- Income tax expense	67	347
- Property, plant and equipment and investment properties		
- Depreciation	462	456
- Available-for sale financial assets		
- Gain on disposal	-	(4)
- Interest income	(209)	(128)
- Interest expense	104	40
- Dividend income	(52)	(53)
	699	2,352
Change in working capital		
- Inventories	(5,982)	7,614
- Trade and other receivables	15,145	(3,089)
- Derivative financial instruments	181	-
- Trade and other payables	(10,309)	(5,324)
- Provision for directors' retirement gratuity	12	13
- Other current assets	(636)	(77)
Cash (used in)/provided by operations	(890)	1,489
Income tax paid	(264)	(284)
Interest received	209	128
Net cash (used in)/provided by operating activities	(945)	1,333
Cash flows from investing activities		
Property, plant & equipment :		
- Purchases	(128)	(30)
Financial assets, available-for-sale		
- Purchases	(3,806)	-
- Proceeds from disposal	-	4
Dividends received	52	53
Net cash (used in)/provided by investing activities	(3,882)	27
Cash flows from financing activities		
Purchase of treasury shares	-	(70)
Proceeds from trust receipts	44,037	31,266
Repayment of trust receipts	(52,499)	(25,078)
Dividend paid to shareholders	-	(3,118)
Repayment of term loan	-	-
Interest paid	(104)	(40)
Net cash (used in)/provided by financing activities	(8,566)	2,960
Net (decrease)/increase in cash and cash equivalents	(13,393)	4,320
Cash and cash equivalents at beginning of the financial period	61,759	75,834
Effects of currency translation on cash and cash equivalents	(13)	16
Cash and cash equivalents at end of the financial period	48,353	80,170

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	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
At 1 July 2012	107,485	(1,335)	(1,216)	(850)	902	100,005	204,991
Total comprehensive (loss)/income for 1st quarter	-	-	-	(13)	128	327	442
At 30 September 2012	**107,485**	**(1,335)**	**(1,216)**	**(863)**	**1,030**	**100,332**	**205,433**
Group							
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 income/(loss) for 1st quarter	-	-	-	15	(265)	1,694	1,444
At 30 September 2011	**107,485**	**(1,083)**	**(1,216)**	**(806)**	**700**	**100,754**	**205,834**

	Share Capital	Treasury Shares	Capital Reserves	Currency Translation Reserves	Fair Value Reserves	Retained Profits	Total Equity
Company	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
At 1 July 2012	107,485	(1,335)	707	-	902	30,502	138,261
Total comprehensive income for 1st quarter	-	-	-	-	128	628	756
At 30 September 2012	**107,485**	**(1,335)**	**707**	**-**	**1,030**	**31,130**	**139,017**
Company							
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 (loss)/income for 1st quarter	-	-	-	-	(265)	1,394	1,129
At 30 September 2011	**107,485**	**(1,083)**	**707**	**-**	**700**	**32,795**	**140,604**

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.

During the period, there were no changes to the Company's share capital. The Company currently holds 5,421,000 treasury shares (1QFY12: 4,155,000) amounting to $1,335,000 (1QFY12: $1,083,000) as at 30 September 2012.

(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.

	30.09.12	30.06.12
Number of shares in issue	621,949,610	621,949,610

(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	
	1QFY13 30.09.12 (Note 1)	1QFY12 30.09.11
Earnings per share based on profit attributable to equity shareholders:		
(a) Basic (cent)	0.05	0.27
(b) Diluted (cent)	0.05	0.27

Note 1 : The basic and diluted earnings per share is calculated based on the weighted average number of ordinary shares of 621,949,610 (30.09.11: 623,289,067) 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	
	30.09.12	30.06.12	30.09.12	30.06.12
Net Asset Value per ordinary share (cents)	33.03	32.96	22.35	22.23

The net asset value per ordinary share is calculated based on the number of ordinary shares in issue of 621,949,610 at the end of the period (30.06.12: 623,215,610).

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		
	1QFY13	*4QFY12*	*1QFY12*
Revenue	34,974	53,959	52,475
Gross Profit	4,724	6,928	7,824
GP %	*13.5%*	*12.8%*	*14.9%*

The Group's revenue declined 33% to $35.0M in 1QFY13 from $52.5M reported for 1QFY12. The lower revenue was mainly caused by the rescheduling of projected deliveries as well as sluggish demand for structural steel products, pipes and fittings. The general weakness in demand was reflected in the decrease in revenue when compared with the revenue of $54.0M reported for 4QFY12.

With a lower quarterly revenue, gross profit slid from $7.8M in 1QFY12 to $4.7M in 1QFY13. Gross profit margin of 13.5% for 1QFY13 was lower than the 14.9% achieved in 1QFY12 as the market turned highly competitive amidst falling demand. However, the gross profit margin for 1QFY13 was slightly better when compared with 12.8% for 4QFY12.

Other operating income

Other operating income for 1QFY13 of $323K was higher than last year's corresponding quarter of $208K, mainly due to higher interest income received.

Staff costs, Depreciation, Other operating expenses and Finance cost

Manpower costs in 1QFY13 decreased to $1.9M from $2.1M in 1QFY12 due to lower incentives provided.

During the period, depreciation increased slightly to $462K from $456K as the Group continued to acquire equipment for its operation.

Despite lower volume, other operating expenses in 1QFY13 only declined slightly by 2% to $2.04M from $2.07M as it included an exchange loss of $125K arising from the revaluation of assets denominated in foreign currencies compared with a corresponding exchange gain of $63K in 1QFY12.

Finance cost - net for 1QFY13 was made up of interest expense of $104K (1QFY12: $40K), exchange gain of $186K (1QFY12: $1,358K exchange loss) and fair value & exchange loss arising from derivative financial instruments of $375K (1QFY12: Nil) resulting in a net loss of $293K compared with a net loss of $1,398K for 1QFY12.

Profitability review

Total profit after tax for 1QFY13 declined to $0.3M from $1.7M in 1QFY12. The lower profit was mainly attributed to the lower sales volume and lower margin.

REVIEW OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2012

Non current assets

Available-for-sale financial assets increased in value to $17.9M (FY12: $14.0M) due to acquisition of marketable bonds and equities.

Current assets and current liabilities

Trade and other receivables fell to $43.6M from $58.8M in tandem with the decreased turnover.

Inventories increased to $71.8M from $65.9M as the Group experienced slower sales in the midst of a cautious market and the receipt of stock arising from planned purchases to meet existing orders on hand.

Trade and other payables declined to $5.2M from $15.6M as the Group utilised its cash reserves to pay down its liabilities and borrowings as they fell due.

The decrease in borrowings was mainly due to the Group paying off the facilities with its cash reserves. Borrowings stood at $14.3M as at 1QFY13 as compared with $22.8M as at 4QFY12.

Share capital and reserves

Fair value reserves rose to $1,030K from $902K due to increases in the market values of the Group's available-for-sale financial assets during the quarter.

Cashflow

During the quarter, the Group deployed its cash in the area of investing activities as well as financing activities. This resulted in a decrease of $13.4M in cash and cash equivalents (1QFY12: $4.3M net cash inflow). During the period, the Group acquired more available-for-sale financial assets to generate additional income and paid down its borrowings.

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 expects local market demand for steel products to further soften as global economic growth is expected to remain sluggish in the coming months. The sovereign debt crisis in Europe, the US fiscal predicaments and slowing China economy will continue to dampen market sentiments.

Although there may be a spike in demand when the government begins its housing programme, it is not expected to compensate for the lull in activities in the oil & gas and shipbuilding sectors in the near term. Competition is expected to be fierce and as a result the Group believes that there will be further erosion of its margins.

With an ample supply of steel products, end users need not rush to commit to purchases leading to slower activities and adding pressure on selling prices.

With such challenging conditions ahead, the Group is taking steps to make its operation more cost effective, manage its inventory mix more efficiently and seek new customers.

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
6 November 2012

Confirmation by the Board pursuant to Rule 705(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited

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 1QFY13 financial results to be false or misleading in any material aspects.

On behalf of the Board of Directors

Lim Kim Thor
CEO/MD
6 November 2012

Lim Boh Chuan
Deputy MD