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 FY12	2Q FY11	% +/(-)	1H FY12	1H FY11	% +/(-)
Revenue	63,469	44,134	44%	115,944	90,089	29%
Changes in inventories	17,641	3,148	NM	10,027	(9,959)	NM
Purchases of inventories	(74,085)	(40,735)	82%	(111,122)	(67,115)	66%
Gross profit	7,025	6,547	7%	14,849	13,015	14%
Other operating income	341	216	58%	549	351	56%
Staff cost	(1,989)	(1,911)	4%	(4,055)	(4,093)	-1%
Depreciation	(457)	(378)	21%	(913)	(754)	21%
Other operating expenses	(1,855)	(2,439)	-24%	(3,926)	(4,429)	-11%
Finance cost - net	(337)	251	NM	(1,735)	409	NM
Profit before tax	2,728	2,286	19%	4,769	4,499	6%
Income tax expense	(464)	(389)	19%	(811)	(765)	6%
Total profit	2,264	1,897	19%	3,958	3,734	6%
Other comprehensive income/(expenses) :						
Currency translation differences arising from consolidation	22	(99)	NM	(168)	(111)	51%
Fair value gain/(loss) on available-for-sale financial assets	97	(39)	NM	38	88	-57%
Total comprehensive income	2,383	1,759	35%	3,828	3,711	3%
Profit attributable to Equity holders of the Company	2,264	1,897	19%	3,958	3,734	6%
Total comprehensive income attributable to Equity holders of the Company	2,383	1,759	35%	3,828	3,711	3%
Earnings per share based on profit attributable to equity shareholders:						
- Basic (cent)	0.36	0.30		0.64	0.60	
- Diluted (cent)	0.36	0.30		0.64	0.60	

Note : NM : not meaningful

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

	GROUP (S$'000)			
	2Q FY12	2Q FY11	1H FY12	1H FY11
Dividend income	22	143	75	192
Interest income	126	98	254	183
Profit on sale of property, plant and equipment - net	-	9	-	9
Profit on sale of available-for-sale financial assets	-	-	4	-
Foreign exchange gain/(loss)	378	(564)	441	(966)
Finance cost-net is made up of :				
Interest expense	(159)	(42)	(199)	(127)
Foreign exchange (loss)/gain arising from borrowings (trust receipts)	(178)	293	(1,536)	536
Bad debts recovered	9	4	9	4
Write-back of allowance/(Allowance) for trade receivables	37	(112)	66	(112)
Write-back of 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	
	31.12.2011	30.06.2011	31.12.2011	30.06.2011
	$'000	$'000	$'000	$'000
Current Assets				
Cash and cash equivalents	61,916	75,834	33,847	44,163
Trade and other receivables	70,458	51,204	10,286	8,201
Inventories	75,747	65,720	28,813	33,119
Other current assets	358	199	102	74
Due from subsidiaries	-	-	8,668	7,870
	208,479	192,957	81,716	93,427
Non Current Assets				
Available-for-sale financial assets	11,148	6,306	11,148	6,306
Investment in club membership	57	57	-	-
Investment in subsidaries	-	-	9,457	9,457
Loan to a subsidiary	-	-	35,919	36,579
Property, plant and equipment	27,799	28,309	340	336
Investment properties	14,126	14,188	6,805	6,822
Goodwill	4,630	4,630	-	-
Deferred income tax assets	146	61	-	-
	57,906	53,551	63,669	59,500
Total Assets	**266,385**	**246,508**	**145,385**	**152,927**
Current Liabilities				
Trade and other payables	8,782	19,636	2,996	4,422
Current income tax liabilities	1,706	1,935	862	581
Borrowings	49,199	15,338	82	2,470
Due to subsidiaries - trade	-	-	1,153	1,153
Provision for directors' retirement gratuity	-	269	-	269
Dividend payable	-	3,118	-	3,118
	59,687	40,296	5,093	12,013
Non Current Liabilities				
Provision for directors' retirement gratuity	847	854	847	854
Deferred income tax liabilities	861	898	515	515
	1,708	1,752	1,362	1,369
Total Liabilities	**61,395**	**42,048**	**6,455**	**13,382**
Net Assets	**204,990**	**204,460**	**138,930**	**139,545**
Share capital and reserves				
Share capital	107,485	107,485	107,485	107,485
Treasury shares	(1,195)	(1,013)	(1,195)	(1,013)
Capital reserves	(1,216)	(1,216)	707	707
Currency translation reserves	(783)	(821)	-	-
Fair value reserves	797	965	797	965
Retained profits	99,902	99,060	31,136	31,401
	204,990	**204,460**	**138,930**	**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 31.12.2011		As at 30.6.2011	
Secured	Unsecured	Secured	Unsecured
-	49,199	-	15,338

Amount repayable after one year ('000)

As at 31.12.2011		As at 30.6.2011	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral

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 FY12	2Q FY11	1H FY12	1H FY11
Cash flow from operating activities				
Total profit	2,264	1,897	3,958	3,734
Adjustments for:				
-Income tax expense	464	389	811	765
- Property, plant and equipment and				
investment properties				
- Depreciation	457	378	913	754
- Net gain on disposal	-	(9)	-	(9)
- Available-for-sale financial assets				
- Gain on disposal	-	-	(4)	-
- Interest income	(126)	(98)	(254)	(183)
- Interest expense	159	42	199	127
- Dividend income	(22)	(143)	(75)	(192)
	3,196	2,456	5,548	4,996
Change in working capital				
- Inventories	(17,641)	(3,748)	(10,027)	9,959
- Trade and other receivables	(16,165)	8,071	(19,254)	11,558
- Derivative financial instruments	-	(30)	-	(37)
- Trade and other payables	(5,830)	(3,413)	(11,154)	(15,617)
- Provision for director retirement gratuity	11	15	24	31
- Other current assets	(82)	118	(159)	(158)
Cash generated from operations	(36,511)	3,469	(35,022)	10,732
Income tax paid	(878)	(617)	(1,162)	(1,040)
Interest received	126	98	254	183
Net cash (used in)/provided by operating activities	(37,263)	2,950	(35,930)	9,875
Cash flows from investing activities				
Property, plant & equipment :				
- Purchases	(311)	(1,434)	(341)	(4,539)
- Proceeds from disposal	-	9	-	9
Available-for-sale financial assets				
- Purchases	(5,010)	-	(5,010)	-
- Proceeds from disposal	-	-	4	-
Dividends received	22	143	75	192
Net cash used in investing activities	(5,299)	(1,282)	(5,272)	(4,338)
Cash flows from financing activities				
Purchase of treasury shares	(112)	-	(182)	(12)
Proceeds from trust receipts	69,847	19,727	101,113	43,604
Repayment of trust receipts	(42,174)	(10,524)	(67,252)	(49,275)
Dividend paid to shareholders	(3,116)	(3,122)	(6,234)	(3,122)
Repayment of term loan	-	(248)	-	(501)
Interest paid	(159)	(42)	(199)	(127)
Net cash provided by/(used in) financing activities	24,286	5,791	27,246	(9,433)
Net (decrease)/increase in cash and cash equivalents	(18,276)	7,459	(13,956)	(3,896)
Cash and cash equivalents at beginning				
of the financial period	80,170	66,432	75,834	77,814
Effects of currency translation on cash and				
cash equivalents	22	(98)	38	(125)
Cash and cash equivalents at end				
of the financial period	61,916	73,793	61,916	73,793

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	$'000	$'000	$'000	$'000	$'000	$'000	$'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 income for 1st quarter	-	-	-	16	(265)	1,694	1,445
At 30 September 2011	107,485	(1,083)	(1,216)	(805)	700	100,754	205,835
Purchase of treasury shares	-	(112)	-	-	-	-	(112)
Dividend paid	-		-	-	-	(3,116)	(3,116)
Total comprehensive income for 2nd quarter	-		-	22	97	2,264	2,383
At 31 December 2011	**107,485**	**(1,195)**	**(1,216)**	**(783)**	**797**	**99,902**	**204,990**
Group							
At 1 July 2010	107,485	(788)	(1,216)	(595)	942	95,842	201,670
Purchase of treasury shares	-	(12)	-	-	-	-	(12)
Total comprehensive 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
Dividend paid	-		-	-	-	(3,122)	(3,122)
Total comprehensive income for 2nd quarter	-		-	(99)	(39)	1,897	1,759
At 31 December 2010	**107,485**	**(800)**	**(1,216)**	**(706)**	**1,030**	**96,454**	**202,247**

	Share Capital	Treasury Shares	Capital Reserves	Currency Translation Reserves	Fair Value Reserves	Retained Earnings	Total Equity
Company	$'000	$'000	$'000	$'000	$'000	$'000	$'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 income for 1st quarter	-	-	-	-	(265)	1,394	1,129
At 30 September 2011	107,485	(1,083)	707	-	700	32,795	140,604
Purchase of treasury shares	-	(112)	-	-	-	-	(112)
Dividend paid	-	-	-	-	-	(3,116)	(3,116)
Total comprehensive income for 2nd quarter	-		-	-	97	1,457	1,554
At 31 December 2011	**107,485**	**(1,195)**	**707**	**-**	**797**	**31,136**	**138,930**
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
Dividend paid	-	-	-	-	-	(3,122)	(3,122)
Total comprehensive income for 2nd quarter	-		-	-	(39)	1,009	970
At 31 December 2010	**107,485**	**(800)**	**707**	**-**	**1,030**	**35,500**	**143,922**

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 578,000 shares for $112K 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	917,000	182
Balance as at 31 Dec 2011	4,733,000	1,195

(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.

	31.12.11	30.06.11
Number of shares in issue	622,637,610	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 has 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 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.

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 31.12.11 (note 1)	3 months ended 31.12.10	6 months ended 31.12.11 (note 1)	6 months ended 31.12.10
Earnings per share based on profit attributable to equity shareholders:				
(a) Basic (cent)	0.36	0.30	0.64	0.60
(b) Diluted (cent)	0.36	0.30	0.64	0.60

Note 1 : The basic and diluted earnings per share is calculated based on the weighted average number of ordinary shares of 623,277,827 (31.12.10: 624,519,784) 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	
	31.12.11	30.06.11	31.12.11	30.06.11
Net Asset Value per ordinary share (cents)	32.92	32.79	22.31	22.38

The net asset value per ordinary share is calculated based on the number of ordinary shares in issue of 622,637,610 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		
	2QFY12	***1QFY12***	***2QFY11***	***1HFY12***	***1HFY11***
Revenue	63,469	52,475	44,134	115,944	90,089
Gross Profit	7,025	7,824	6,547	14,849	13,015
GP %	*11.1%*	*14.9%*	*14.8%*	*12.8%*	*14.4%*

Revenue for 2QFY12 increased 21% to $63.5M from $52.5M in 1QFY12 and rose 44% over 2QFY11 revenue of $44.1M. This was mainly attributed to higher sales of all major categories of steel products carried by the Group and the increase was mainly due to sales to the marine sector.

As a result, revenue for 1HFY12 rose to $115.9M reflecting an improvement of 29% over the reported revenue of $90.1M for 1HFY11.

Gross profit margin for the quarter declined to 11.1% (1QFY12: 14.9%) from 14.8% in 2QFY11 due to more bulk order sales, secured at competitive rates from customers.

Other operating income

Other operating income for 2QFY12 of $341K was higher than last year's corresponding quarter of $216K mainly due to higher deposit interest income earned.

Staff cost, Depreciation, Other operating expenses and Finance cost

Staff cost of $2.0M for 2QFY12 was only slightly higher compared to $1.9M incurred for 2QFY11 and this increase was mainly due to a small increase in headcount.

Depreciation increased from $378K in 2QFY11 to $457K in 2QFY12 as one of the Group's newly redeveloped warehouses became operational, thereby triggering depreciation of the redevelopment costs.

The other operating expenses of $1.9M (2QFY12) comprised a foreign exchange gain of $378K, derived mainly from the settlement and revaluation of trade payables, and other expenses of $2.2M. However, the corresponding quarter of 2QFY11 was made up of a foreign exchange loss of $564K and other expenses of $1.9M.

Finance cost-net in 2QFY12 was made up of interest expense of $159K (2QFY11: $42K) and exchange loss of $178K (2QFY11: $293K exchange gain) resulting in an expense of $337K compared with a net gain of $251K for 2QFY11. Part of the Group's borrowings were in the form of US dollar denominated trust receipts and as the US dollar remained strong against the Singapore dollar during the quarter, the Group registered a loss on foreign exchange.

Profit attributable to equity holders of the Company

Total profit after tax for 2QFY12 increased 19% to $2.3M from $1.9M for 2QFY11 in tandem with the increase in revenue.

REVIEW OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

Non current assets

The Group's available-for-sale assets stood at $11.1M, marked to market as at 31 December 2011, were higher than 4QFY11's balance of $6.3M due to the Group's purchases of bonds during the period.

Current assets and current liabilities

During the quarter, trade and other receivables increased significantly to $70.5M from $51.2M (4QFY11). This was due mainly to higher sales during the quarter.

Inventories rose 15% from $65.7M to $75.7M. Higher inventory balance was needed to fulfil contracted orders on hand.

Trade and other payables declined to $8.8M from $19.6M (4QFY11) as the Group utilised its cash collection to pay down its liabilities as they fall due.

Borrowings rose to $49.2M from $15.3M for 4QFY11. The increase in borrowings was due mainly to greater purchasing activities to meet orders.

The Group continued to post a healthy level of current ratio of 3.5 times (4QFY11: 4.8 times) and 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 another 578,000 shares worth $112K from the open market. These are kept as treasury shares and reduce the amount paid up share capital as at 31 December 2011.

Fair Value Reserves fell to $797K from $965K due to decreases in the market values of the Group's available-for-sale financial assets as at 31 December 2011.

Cash flow

Cash disbursed for operating as well as investing activities amounting to $42.6M in 2QFY12 were partially financed from borrowings. The Group had a resulting net cash outflow of $18.3 in 2QFY12 as compared to an inflow of $7.5M in 2QFY11 due to higher 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

Market demand for steel products is expected to remain sensitive to global economic conditions and the Europe debt crisis. This unclear economic outlook may, in turn, affect many customers on their decision to implement planned projects.

However the prevailing high oil prices will entice the Oil & Gas and Marine sectors to undertake some projects which will generate demand for steel products. At the same time, planned government infrastructure projects and housing projects are going to add to demand for steel products.

Supply for steel products is expected to remain stable while costs may moderate downward as the US dollar is showing signs of weakening since the beginning of the year.

With the continuing uncertainties in the economy, the Group will exercise greater caution in its inventory management and collection of debts.

The Board of Directors is cautiously optimistic about the Group's performance in the second half of its financial year.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? Yes

Name of Dividend Tax exempt (one-tier)	Interim
Dividend Type	Cash
Dividend Amount per share	0.5 cent

(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 Tax exempt (one-tier)	Interim
Dividend Type	Cash
Dividend Amount per share	0.5 cent

(c) Date payable

The Dividend will be paid on 19 April 2012.

(d) Books closure date

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of Hupsteel Limited (the "Company") will be closed from 5.00 p.m. on 4 April 2012 to 5 April 2012 (both dates inclusive) for the preparation of dividend warrants.

Duly completed registrable transfers received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 up to 5.00 p.m. on 4 April 2012 will be registered to determine shareholders' entitlements to the said dividend. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 4 April 2012 will be entitled to the interim dividend.

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
Secretary
10 February 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 material has come to the attention of the Board of Directors of the Company which may render the 2QFY12 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 February 2012

Lim Boh Chuan
Deputy MD