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 FY13	2Q FY12	% +/(-)	1H FY13	1H FY12	% +/(-)
Revenue	32,489	63,469	-49%	67,463	115,944	-42%
Changes in inventories	(11,016)	17,641	NM	(5,034)	10,027	NM
Purchases of inventories	(17,090)	(74,085)	-77%	(53,322)	(111,122)	-52%
Gross profit	4,383	7,025	-38%	9,107	14,849	-39%
Other operating income	347	341	2%	670	549	22%
Staff cost	(1,769)	(1,989)	-11%	(3,628)	(4,055)	-11%
Depreciation	(465)	(457)	2%	(927)	(913)	2%
Other operating expenses	(1,444)	(1,855)	-22%	(4,047)	(3,926)	3%
Finance cost - net	(135)	(337)	NM	136	(1,735)	-108%
Profit before tax	917	2,728	-66%	1,311	4,769	-73%
Income tax expense	(156)	(464)	-66%	(223)	(811)	-73%
Total profit	761	2,264	-66%	1,088	3,958	-73%
Other comprehensive income/(expenses) :						
Currency translation differences arising from consolidation	5	22	-77%	300	(168)	NM
Fair value gain/(loss) on available-for-sale financial assets	172	97	77%	(8)	38	NM
Total comprehensive income	938	2,383	-61%	1,380	3,828	-64%
Profit attributable to Equity holders of the Company	761	2,264	-66%	1,088	3,958	-73%
Total comprehensive income attributable to Equity holders of the Company	938	2,383	-61%	1,380	3,828	-64%
Earnings per share based on profit attributable to equity shareholders:						
- Basic (cent)	0.12	0.36		0.17	0.64	
- Diluted (cent)	0.12	0.36		0.17	0.64	

Note : NM : not meaningful

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

	GROUP (S$'000)			
	2Q FY13	2Q FY12	1H FY13	1H FY12
Dividend income	85	22	137	75
Interest income	177	126	386	254
(Loss)/profit on sale of available-for-sale financial assets	(1)	-	(1)	4
Foreign exchange gain/(loss)	121	378	(568)	441
Finance cost-net is made up of :				
Interest expense	(42)	(159)	(146)	(199)
Foreign exchange (loss)/gain arising from borrowings (trust receipts)	(93)	(178)	282	(1,536)
Bad debts recovered	-	9	-	9
(Allowance)/write-back of allowance for trade receivables	(5)	37	(5)	66

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	
	31.12.2012	30.06.2012	31.12.2012	30.06.2012
	$'000	$'000	$'000	$'000
Current Assets				
Cash and cash equivalents	43,308	61,759	21,284	37,063
Trade and other receivables	43,646	58,757	7,397	8,943
Inventories	60,824	65,858	22,991	24,657
Other current assets	276	217	117	89
Due from subsidiaries	-	-	20,998	9,827
	148,054	186,591	72,787	80,579
Non Current Assets				
Available-for-sale financial assets	18,104	14,011	18,104	14,011
Investment in club membership	43	43	-	-
Investment in subsidaries	-	-	9,457	9,457
Loan to a subsidiary	-	-	36,802	36,412
Property, plant and equipment	26,687	27,183	292	323
Investment properties	14,001	14,063	6,771	6,788
Goodwill	4,630	4,630	-	-
Deferred income tax assets	129	129	-	-
	63,594	60,059	71,426	66,991
Total Assets	**211,648**	**246,650**	**144,213**	**147,570**
Current Liabilities				
Trade and other payables	4,271	15,551	3,300	4,990
Current income tax liabilities	846	1,444	655	855
Derivative financial instruments	168	181	-	-
Borrowings	1,410	22,795	194	850
Due to subsidiaries - trade	-	-	1,682	1,229
	6,695	39,971	5,831	7,924
Non Current Liabilities				
Provision for directors' retirement gratuity	895	870	895	870
Deferred income tax liabilities	818	818	515	515
	1,713	1,688	1,410	1,385
Total Liabilities	**8,408**	**41,659**	**7,241**	**9,309**
Net Assets	**203,240**	**204,991**	**136,972**	**138,261**
Share capital and reserves				
Share capital	107,485	107,485	107,485	107,485
Treasury shares	(1,355)	(1,335)	(1,355)	(1,335)
Capital reserves	(1,216)	(1,216)	707	707
Currency translation reserves	(858)	(850)	-	-
Fair value reserves	1,202	902	1,203	902
Retained profits	97,982	100,005	28,932	30,502
	203,240	**204,991**	**136,972**	**138,261**

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 31.12.2012		As at 30.6.2012	
Secured	Unsecured	Secured	Unsecured
-	1,410	-	22,795

Amount repayable after one year ('000)

As at 31.12.2012		As at 30.6.2012	
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 FY13	2Q FY12	1H FY13	1H FY12
Cash flow from operating activities				
Total profit	761	2,264	1,088	3,958
Adjustments for:				
-Income tax expense	156	464	223	811
- Property, plant and equipment and investment properties				
- Depreciation	465	457	927	913
- Available-for-sale financial assets				
- (Loss)/gain on disposal	1	-	1	(4)
- Interest income	(177)	(126)	(386)	(254)
- Interest expense	42	159	146	199
- Dividend income	(85)	(22)	(137)	(75)
	1,163	3,196	1,862	5,548
Change in working capital				
- Inventories	11,016	(17,641)	5,034	(10,027)
- Trade and other receivables	(34)	(16,165)	15,111	(19,254)
- Derivative financial instruments	(204)	-	(23)	-
- Trade and other payables	(949)	(5,830)	(11,272)	(11,154)
- Provision for director retirement gratuity	13	11	25	24
- Other current assets	577	(82)	(59)	(159)
Cash generated from/(used in) operations	11,582	(36,511)	10,678	(35,022)
Income tax paid	(557)	(878)	(821)	(1,162)
Interest received	177	126	386	254
Net cash provided by/(used in) operating activities	11,202	(37,263)	10,243	(35,930)
Cash flows from investing activities				
Property, plant & equipment :				
- Purchases	(241)	(311)	(369)	(341)
Available-for-sale financial assets				
- Purchases	-	(5,010)	(3,792)	(5,010)
- Proceeds from disposal	-	-	-	4
Dividends received	85	22	137	75
Net cash used in investing activities	(156)	(5,299)	(4,024)	(5,272)
Cash flows from financing activities				
Purchase of treasury shares	(20)	(112)	(20)	(182)
Proceeds from trust receipts	3,616	69,847	47,653	101,113
Repayment of trust receipts	(16,539)	(42,174)	(69,038)	(67,252)
Dividend paid to shareholders	(3,111)	(3,116)	(3,111)	(6,234)
Interest paid	(42)	(159)	(146)	(199)
Net cash (used in)/provided by financing activities	(16,096)	24,286	(24,662)	27,246
Net decrease in cash and cash equivalents	(5,050)	(18,276)	(18,443)	(13,956)
Cash and cash equivalents at beginning of the financial period	48,353	80,170	61,759	75,834
Effects of currency translation on cash and cash equivalents	5	22	(8)	38
Cash and cash equivalents at end of the financial period	43,308	61,916	43,308	61,916

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 2012	107,485	(1,335)	(1,216)	(850)	902	100,005	204,991
Total comprehensive 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
Purchase of treasury shares	-	(20)	-	-	-	-	(20)
Dividend paid	-		-	-	-	(3,111)	(3,111)
Total comprehensive income for 2nd quarter	-		-	5	172	761	938
At 31 December 2012	**107,485**	**(1,355)**	**(1,216)**	**(858)**	**1,202**	**97,982**	**203,240**
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 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**

	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 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
Purchase of treasury shares	-	(20)	-	-	-	-	(20)
Dividend paid	-	-	-	-	-	(3,111)	(3,111)
Total comprehensive income for 2nd quarter	-		-	-	173	913	1,086
At 31 December 2012	**107,485**	**(1,355)**	**707**	**-**	**1,203**	**28,932**	**136,972**
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 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**

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 100,000 shares for $20K 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 2012	5,421,000	1,335
Purchases	100,000	20
Balance as at 31 Dec 2012	5,521,000	1,355

(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.

	31.12.12	30.06.12
Number of shares in issue	621,849,610	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.

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 31.12.12 (note 1)	3 months ended 31.12.11	6 months ended 31.12.12 (note 1)	6 months ended 31.12.11
Earnings per share based on profit attributable to equity shareholders:				
(a) Basic (cent)	0.12	0.36	0.17	0.64
(b) Diluted (cent)	0.12	0.36	0.17	0.64

Note 1 : The basic and diluted earnings per share is calculated based on the weighted average number of ordinary shares of 623,277,827 (31.12.11: 621,932,762) 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	
	31.12.12	30.06.12	31.12.12	30.06.12
Net Asset Value per ordinary share (cents)	32.68	32.96	22.03	22.23

The net asset value per ordinary share is calculated based on the number of ordinary shares in issue of 621,849,610 at the end of the period (30.06.12: 621,949,610).

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				
	2QFY13	***1QFY13***	***2QFY12***	***1HFY13***	***1HFY12***
Revenue	32,489	34,974	63,469	67,463	115,944
Gross Profit	4,383	4,724	7,025	9,107	14,849
GP %	*13.5%*	*13.5%*	*11.1%*	*13.5%*	*12.8%*

Revenue for 2QFY13 decreased 7% to $32.5M from $35.0M in 1QFY13 and fell 49% over 2QFY12 revenue of $63.5M. This was mainly attributed to fewer project sales, sluggish demand for structural steel products persisting from the last quarter and customers postponing deliveries due to inclement weather during the period.

As a result of 2 quarters of weaker sales, revenue for 1HFY13 fell to $67.5M reflecting a decline of 42% over the reported revenue of $115.9M for 1HFY12.

However, gross profit margin for the quarter improved to 13.5% (1QFY13: 13.5%) from 11.1% in 2QFY12 due to the more stable prices of pipes & fittings and these products made up a higher proportion in volume mix during the quarter. The same reasons could be applied to the higher gross profit margin reported in 1HFY13 of 13.5% as compared to 12.8% for 1HFY12.

Other operating income

Other operating income for 2QFY13 of $347K was slightly higher than last year's corresponding quarter of $341K mainly due to higher interest income earned from fixed deposits.

Staff cost, Depreciation, Other operating expenses and Finance cost

Staff cost of $1.8M for 2QFY13 was lower in comparison with $2.0M incurred for 2QFY12 as the Group made a lower provision for incentives in view of the smaller turnover & lower profits.

Depreciation increased from $457K in 2QFY12 to $465K in 2QFY13 as the Group continued to replace and upgrade its fixed assets for its operation.

The other operating expenses of $1.4M (2QFY13) comprised foreign exchange gain of $121K, arose mainly from the settlement of trade payables and other expenses of $1.6M. However, the corresponding quarter of 2QFY12 was made up of a foreign exchange gain of $378K and other expenses of $2.2M.

Finance cost-net in 2QFY13 was made up of interest expense of $42K (2QFY12: $159K) and exchange loss of $93K (2QFY12: $178K exchange loss) arising from borrowings.

Profit attributable to equity holders of the Company

Total profit after tax for 2QFY13 decreased 66% to $761K from $2.3M for 2QFY12 in tandem with the lower revenue and gross profits reported.

REVIEW OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

Non current assets

The Group's available-for-sale assets standing at $18.1M, marked to market as at 31 December 2012, were higher than 4QFY12's balance of $14.0M due to purchases of marketable securities.

Current assets and current liabilities

During the quarter, trade and other receivables fell to $43.6M from $58.8M (4QFY12) in tandem with the decreased turnover.

Inventories decreased from $65.9M (4QFY12) to $60.8M as the Group sold from its inventory holding and scaled down its purchases.

Trade and other payables declined significantly to $4.3M from $15.6M (4QFY12) as the Group utilised its cash reserves to pay down its liabilities as they fall due.

Borrowings fell significantly to $1.4M from $22.8M for 4QFY12. The decrease in borrowings was due mainly to a slowdown in purchasing activities as well as the Group paying off the borrowings with its cash reserves.

The Group continued to post a healthy level of current ratio of 22.1 times (4QFY12: 4.7 times).

Share capital and reserves

During the quarter, the Group continued to exercise its Share Buyback Mandate and purchased another 100,000 shares from the open market. These are kept as treasury shares.

Fair value reserves rose to $1.2M from $902K due to an increase in market value of the Group's available-for-sale financial assets as at 31 December 2012.

Cash flow

There was a net cash inflow of $11.2M in 2QFY13 (net cash outflow of $37.3M in 2QFY12) from operating activities due to slower purchases. There was a net cash outflow of $16.3M in 2QFY13 (net cash inflow of $19.0M in 2QFY12) from investing and financing activities due to faster repayment of 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

Local demand for steel plates is expected to be weak in the near term with fewer new rig orders reported and with increasing portion of such construction being carried out overseas. However, overseas demand for this product is expected to remain stable as regional economies are expected to continue to grow in 2013 but such sale will generally require the Group to grant longer credit term.

The Group expects an increase in demand for its beams & related products when the government begins the construction of residential projects announced earlier.

Demand for pipes and fittings is likely to remain stable in the coming quarters as the local economy is only expected to grow marginally.

Prices for structural steel products are showing signs of upward adjustment recently and this may induce buyers to place their orders early and stimulate demand. The Group will strive to be more responsive to changing market trends when making purchases to meet customers' requirement.

With a weak local economy forecast for 2013, unresolved fiscal and debt issues in the US and Eurozone, market conditions will remain challenging for the Group 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? No

(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

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
Secretary
5 February 2013

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 2QFY13 financial results to be false or misleading in any material aspects.

On behalf of the Board of Directors

Lim Kim Thor
CEO & Managing Director
5 February 2013

Lim Boh Chuan
Deputy MD