HUPSteel Limited
3Q06 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)					
	1.1.06 - 31.3.06	1.2.05 - 30.4.05	% +/(-)	1.7.05 - 31.3.06	1.8.04 - 30.4.05	% +/(-)
Revenue	43,994	67,999	-35%	134,507	155,000	-13%
Cost of goods sold	(36,968)	(54,669)	-32%	(111,498)	(118,620)	-6%
Gross profit	7,026	13,330	-47%	23,009	36,380	-37%
Other operating income	226	134	69%	1,019	523	95%
Staff cost	(1,714)	(2,442)	-30%	(5,667)	(8,573)	-34%
Depreciation of property, plant & equipment	(321)	(311)	3%	(968)	(924)	5%
Other operating expenses	(1,425)	(646)	121%	(4,950)	(5,487)	-10%
Profit from operations	3,792	10,065	-62%	12,443	21,919	-43%
Finance cost - net	(309)	(748)	-59%	(871)	(832)	5%
Profit before tax	3,483	9,317	-63%	11,572	21,087	-45%
Income tax expense	(351)	(2,138)	-84%	(2,284)	(3,974)	-43%
Total profit	3,132	7,179	-56%	9,288	17,113	-46%
Attributable to:						
Equity holders of the Company	3,132	7,180	-56%	9,288	17,123	-46%
Minority interests	-	(1)	-100%	-	(10)	-100%
	3,132	7,179	-56%	9,288	17,113	-46%
Earnings per share based on profit attributable to equity shareholders:						
- Basic (cent)	0.87	2.38		2.57	5.67	
- Diluted (cent)	0.87	2.38		2.57	5.67	

Note : 3Q06 - 1Jan06 - 31Mar06
3Q05 - 1Feb05 - 30Apr05

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

	GROUP (S$'000)			
	1.1.06-31.3.06	1.2.05-30.4.05	1.7.05-31.3.06	1.8.04-30.4.05
Other income including interest income	128	86	616	374
Property, plant & equipment (written off)	-	1	-	(1)
Profit / (Loss) on sale of property, plant & equipment	(1)	1	(1)	(198)
Finance charges	(65)	(62)	(161)	(236)
Foreign exchange gain /(loss)	(215)	(294)	(371)	(445)
Write back/(Provision) for trade receivables	(249)	15	(399)	105
Allowance for obsolete & slow moving inventories	493	(19)	947	(159)
Interest on borrowings	(326)	(395)	(1,131)	(617)
Bad debts written off	-	(1)	-	(1)
Stock written off	(7)	(11)	(17)	(17)

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	
	31.3.2006	30.06.2005	31.3.2006	30.06.2005
	$'000	$'000	$'000	$'000
Current Assets				
Cash and cash equivalents	12,912	19,413	3,260	7,443
Trade and other receivables	42,843	55,054	17,127	15,125
Inventories	47,138	67,466	30,926	38,899
Other current assets	301	341	123	84
Due from subsidiaries	-	-	2,166	10,400
	103,194	142,274	53,602	71,951
Non Current Assets				
Other receivables	9	26	-	13
Available-for-sale financial assets	11,684	9,465	10,117	8,364
Investment in subsidiaries	-	-	9,457	9,489
Loan to a subsidiary	-	-	34,381	34,626
Property, plant and equipment	33,243	33,826	8,463	8,625
Goodwill	4,630	4,630	-	-
Deferred tax assets	172	172	139	139
	49,738	48,119	62,557	61,256
Total Assets	**152,932**	**190,393**	**116,159**	**133,207**
Current Liabilities				
Trade and other payables	5,143	2,768	1,396	1,199
Other payables and accruals	2,728	6,054	2,011	4,575
Current tax liabilities	2,526	5,090	2,503	3,880
Borrowings	21,927	58,766	2,500	19,349
Due to subsidiaries - trade	-	-	21	5
	32,324	72,678	8,431	29,008
Non Current Liabilities				
Borrowings	2	1,349	-	-
Provision for directors' retirement gratuity	802	757	803	757
Deferred tax liabilities	112	112	-	-
	916	2,218	803	757
Total Liabilities	**33,240**	**74,896**	**9,234**	**29,765**
Net Assets	**119,692**	**115,497**	**106,925**	**103,442**
Share capital and reserves				
Share capital	59,317	30,154	59,317	30,154
Share premium	-	29,163	-	29,163
Capital reserves	(477)	(477)	1,430	1,430
Foreign currency translation reserve	(543)	(540)	-	-
Fair value reserve	2,180	-	1,713	-
Retained earnings	59,215	57,163	44,465	42,695
Interests of shareholders of the Company	119,692	115,463	106,925	103,442
Minority interests	-	34	-	-
	119,692	**115,497**	**106,925**	**103,442**

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

Amount repayable in one year or less, or on demand

As at 31.3.2006 ('000)		As at 30.6.2005 ($'000)	
Secured	Unsecured	Secured	Unsecured
14	21,913	10	58,756

Amount repayable after one year

As at 31.3.2006 ('000)		As at 30.6.2005 ('000)	
Secured	Unsecured	Secured	Unsecured
2	0	16	1,333

Details of any collateral

The secured group borrowings and debt securities refer to a motor vehicle bought under hire purchase.

The unsecured group borrowings and debt securities consist of trust receipts of the Company arising from the ordinary course of business and bank borrowings. Certain Group borrowings are covered by corporate guarantee.

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)			
	01.01.06 31.03.06	01.02.05 30.04.05	01.07.05 31.03.06	01.08.04 30.04.05
Cash flow from operating activities	3,483	9,317	11,572	21,087
Profit before tax				
Adjustments for:				
Exchange differences	-	-	-	-
Goodwill amortisation	-	-	-	-
Provision for directors' retirement gratuity	14	17	45	63
Property, plant & equipment				
- depreciation	321	311	968	924
- (profit)/loss on disposal	1	(1)	1	198
- written off	-	(1)	-	1
Allowance for :				
- doubtful trade receivables	260	65	413	(25)
- slow moving inventories	(493)	19	(947)	159
Stocks written off	7	11	17	17
Allowance for trade receivables written back	(11)	(80)	(14)	(80)
Trade receivables written off	-	1	-	1
Interest income	(65)	(53)	(181)	(151)
Interest expense	309	395	871	617
Dividend income	(50)	(3)	(261)	(183)
Operating cash flow before working capital changes	3,776	9,998	12,484	22,628
Changes in working capital:				
Inventories	4,867	(2,135)	21,258	(19,950)
Trade and other receivables	1,852	(6,837)	11,936	(24,234)
Trade payables	939	(839)	2,375	520
Other payables and accruals	(3,300)	53	(3,138)	192
Cash (used in)/generated from operations	8,134	240	44,915	(20,844)
Income taxes paid	(1,525)	(1,233)	(4,884)	(3,312)
Interest paid	(244)	(324)	(1,059)	(476)
Interest received	18	6	135	104
Net cash (used in)/generated from operating activities	6,383	(1,311)	39,107	(24,528)
Cash flows from investing activities				
Property, plant & equipment :				
- purchases	(37)	(81)	(386)	(462)
- proceeds from disposal	-	-	-	388
Repayment/(Disbursement) of staff loans	(14)	7	15	(1)
Investments				
- purchases	-	-	-	-
- proceeds from disposal	-	-	-	39
Purchase of business, net of cash acquired (note 1)	-	-	-	-
Payment made for direct costs of business acquisition	-	-	-	-
Dividend received				
- other quoted investments	50	3	261	183
Net cash (used in)/generated from investing activities	(1)	(71)	(110)	147
Cash flow from financing activities				
Net proceeds from issue of shares	-	-	-	45
Dividends paid	-	(43)	(7,236)	(3,661)
Draw down of Bank borrowings	(5,535)	6,695	(38,176)	28,001
Payment under finance lease obligations	(1)	(4)	(10)	(64)
Net cash generated from financing activities	(5,536)	6,648	(45,422)	24,321
Net exchange differences arising from translation	(80)	(25)	(76)	3
Net increase/(decrease) in cash and cash equivalents	766	5,241	(6,501)	(57)
Cash and cash equivalents at beginning of period	12,146	8,928	19,413	14,226
Cash and cash equivalents at end of period	12,912	14,169	12,912	14,169

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	Share Premium	Revaluation Reserves	Translation Reserve	Fair Value Reserve	Retained Profits	Minority Interest	Total
Group	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2005								
- As previously reported	30,154	29,163	(477)	(540)	-	57,163	34	115,497
- Effect of changes in accounting policies adjusted prospectively	-	-	-	-	1,247	-	-	1,247
- Restated	30,154	29,163	(477)	(540)	1,247	57,163	34	116,744
Currency translation differences	-	-	-	35	-	-	-	35
Fair value gains on available-for-sale financial assets	-	-	-	-	375	-	-	375
Net profit for 1st quarter	-	-	-	-	-	3,441	-	3,441
At 30 September 2005	30,154	29,163	(477)	(505)	1,622	60,604	34	120,595
Currency translation differences	-	-	-	4	-	-	-	4
Liquidation of subsidiary	-	-	-	-	-	-	(34)	(34)
Fair value gains on available-for-sale financial assets	-	-	-	-	(147)	-	-	(147)
Net profit for 2nd quarter	-	-	-	-	-	2,715	-	2,715
Dividend paid	-	-	-	-	-	(7,236)	-	(7,236)
At 31 December 2005	30,154	29,163	(477)	(501)	1,475	56,083	-	115,897
Currency translation differences	-	-	-	(42)	-	-	-	(42)
Fair value gains on available-for-sale financial assets	-	-	-	-	705	-	-	705
Bonus issue	6,031	(6,031)	-	-	-	-	-	-
Transfer from share premium to share capital	23,132	(23,132)	-	-	-	-	-	-
Net profit for 3rd quarter	-	-	-	-	-	3,132	-	3,132
At 31 March 2006	**59,317**	**-**	**(477)**	**(543)**	**2,180**	**59,215**	**-**	**119,692**
Group								
At 1 August 2004	30,127	29,146	(477)	(507)	-	39,173	95	97,557
Currency translation differences	-	-	-	(75)	-	-	(4)	(79)
Net profit for 1st quarter	-	-	-	-	-	5,518	9	5,527
Issue of shares	27	17	-	-	-	-	-	44
At 31 October 2004	30,154	29,163	(477)	(582)	-	44,691	100	103,049
Currency translation differences	-	-	-	(28)	-	-	(1)	(29)
Net profit for 2nd quarter	-	-	-	-	-	3,407	-	3,407
Dividend paid	-	-	-	-	-	(3,618)	-	(3,618)
At 31 January 2005	30,154	29,163	(477)	(610)	-	44,480	99	102,809
Currency translation differences	-	-	-	(13)	-	-	(42)	(55)
Net profit for 3rd quarter	-	-	-	-	-	7,178	-	7,178
At 30 April 2005	**30,154**	**29,163**	**(477)**	**(623)**	**-**	**52,658**	**57**	**110,932**

	Share Capital	Share Premium	Revaluation Reserves	Translation Reserve	Fair Value Reserve	Retained profits	Total
Company	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2005							
- As previously reported	30,154	29,163	1,430	-	-	42,695	103,442
- Effect of changes in accounting policies adjusted prospectively	-	-	-	-	1,044	-	1,044
- Restated	30,154	29,163	1,430	-	1,044	-	104,486
Fair value gains on available-for-sale financial assets	-	-	-	-	266	-	266
Net profit for 1st quarter	-	-	-	-	-	2,917	2,917
At 30 September 2005	30,154	29,163	1,430	-	1,310	45,612	107,669
Fair value gains on available-for-sale financial assets	-	-	-	-	(141)	-	(141)
Net profit for 2nd quarter	-	-	-	-	-	3,944	3,944
Dividend paid	-	-	-	-	-	(7,236)	(7,236)
At 31 December 2005	30,154	29,163	1,430	-	1,169	42,320	104,236
Fair value gains on available-for-sale financial assets	-	-	-	-	544	-	544
Bonus issue	6,031	(6,031)	-	-	-	-	-
Transfer from share premium to share capital	23,132	(23,132)	-	-	-	-	-
Net profit for 3rd quarter	-	-	-	-	-	2,145	2,145
At 31 March 2006	**59,317**	**-**	**1,430**	**-**	**1,713**	**44,465**	**106,925**
Company							
At 1 August 2004	30,127	29,146	1,430	-	-	27,056	87,759
Net profit for 1st quarter	-	-	-	-	-	6,321	6,321
Issue of shares	27	17	-	-	-	-	44
At 31 October 2004	30,154	29,163	1,430	-	-	33,377	94,124
Net profit for 2nd quarter	-	-	-	-	-	797	797
Dividend paid	-	-	-	-	-	(3,618)	(3,618)
At 31 January 2005	30,154	29,163	1,430	-	-	30,556	91,303
Net profit for 3rd quarter	-	-	-	-	-	7,830	7,830
At 30 April 2005	**30,154**	**29,163**	**1,430**	**-**	**-**	**38,386**	**99,133**

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

	31.03.06	30.04.05
	('000)	('000)
Number of shares that may be issued upon exercising all outstanding options	72	127

On 8 November 2005, the company announced a bonus issue of shares of 1 for 5 existing shares which was subsequently approved by the SGX on the 3rd January 2006. The bonus issue of shares of 60,309,790 was credited as fully paid by transferring the amount of $6,030,979 from the Share Premium account to the Share Capital account. Hence the number of fully paid up shares of $0.10 each increased from 301,459,000 to 361,858,790.These new shares were allotted and credited to the shareholders' account and were listed on the SGX on 25th January 2006.

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 except as disclosed in Note 5.

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

Changes in accounting policies

In 2005, the Group and the Company adopted the Financial Reporting Standards (FRS) below. The 2004 comparatives have been amended where as required, in accordance with the relevant transitional provisions in the respective FRS.

A brief description of those FRS which have an impact on the financial statements of the Company and of the Group had been set out in the first quarter financial result announcement.

The adoption of these FRS did not have a material effect on the operating results for the third quarter of 2005 ended 31 March 2006.

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 31.03.06	3 months ended 30.04.05	9 months ended 31.03.06	9 months ended 30.04.05
Earnings per share based on profit attributable to shareholders:				
(a) Basic (cent)	0.87	2.38	2.57	5.68
(b) Diluted (cent)	0.87	2.38	2.57	5.68

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	
	31.03.06	30.06.05	31.03.06	30.06.05
Net Asset Value per ordinary share (cents)	33.08	38.30	29.81	34.30

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 2006 vs QUARTER ENDED 30 APRIL 2005

Turnover

Nine months ended 31 Mar 2006

Group revenue for the nine months ended 31 March 2006 was $134.5M, a decrease of 13% compared to the nine months ended 30 April of the last financial year during which large orders were received and steel prices were high. Furthermore in the present nine months from 1 July 2005 to 31 March 2006 selling price for plates had been weakened due to oversupply. On the other hand demand and selling price for pipes and fittings had remained firm as they continued to be underpinned by the robust activities in the oil and marine sectors.

Quarter ended 31 March 2006 (3QFY06)

Revenue for 3QFY06 of $43.9M was 35% lower than 3QFY05 ($68M). However revenue for this quarter is comparable to those of the earlier two quarters (1QFY06:$44.5M;2QFY06:$45.9M), despite a short month in February and the Chinese New Year holidays. This indicates demand for the Group's products had remained firm.

Staff cost, Depreciation, Other operating expenses & Finance cost

Staff costs reduced 34% to $5.7M from $8.6M arising from lower provision for bonus and profit-share as a result of lower profits for the nine months ended 31 March 2006.

The higher finance cost of $871k was mainly due to the rising interest rates since the beginning of the current financial year.

For 3QFY06, a provision for doubtful trade receivables of $249k was made compared to a writeback of $15k in 3QFY05, thereby causing the other operating expenses to record a higher amount.

Profitability review

For the nine months ended 31 March 06, net profit after tax was $9.3M compared to $17.1M in the corresponding financial period. Net profit after tax for the current quarter was $3.1M compared to $7.2M for the corresponding financial quarter. The decrease in net profit after tax for both the nine months and the current quarter was in line with lower margin and revenue.

Cashflow

The Group turned in a strong positive operating cash inflow of $39.1M for the nine months ended 31 March 2006 compared to an outflow of $24.5M for the corresponding nine months of the last financial year. This inflow of cash was utilised to repay borrowings, particularly trust receipts, as they matured.

REVIEW OF FINANCIAL POSITION AS AT 31 MARCH 2006

Non current assets

In accordance with the revised accounting standard FRS 103 on Business Combination, no amortisation of goodwill has been taken up for the period ended 31 March 2006. No impairment in value was made during the period as the business, from which the goodwill arises, was expected to remain profitable.

Current assets and current liabilities

The Group had cash and cash equivalents of $12.9M for the period ended 31 March 2006.

Trade and other receivables were lower at $42.8M compared to $55.1M due to lower turnover and tighter collection.

In view of the weak plates market, the Group had reduced its inventory holding from $67.5M to $47.1M.

Borrowings decreased significantly from $58.7M to $21.9M due to repayment of trust receipts as they matured and reflected the Group's cautious purchasing pattern in the light of higher material costs.

Non current liabilities

Non current borrowings fell from $1.3M to $2k is mainly the result of reclassification of the borrowings to current liabilities.

Share capital and reserves

On 8 November 2005, the company announced a bonus issue of shares of 1 for 5 existing shares which was subsequently approved by the SGX on the 3rd January 2006. The bonus issue of shares of 60,309,790 was credited as fully paid by transferring the amount of $6,030,979 from the Share Premium account to the Share Capital account. Hence the number of fully paid up shares of $0.10 each increased from 301,459,000 to 361,858,790.These new shares were allotted and credited to the shareholders' account and were listed on the SGX on 25th January 2006

In addition, with the recent implementation of the Companies (Amendment) Act 2005 on 30 January 2006, any outstanding amount in the share premium account has now been treated as part of the paid up capital of the company. As a result, the share premium account had been eliminated and its balance is aggregated to the share capital account, thereby increasing the share capital amount to $59.3M.

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 the demand for its products to remain firm as the oil, gas and marine sectors continue to report strong order books coupled with a strong growth in the local economy for the current calendar year.

Prices for plates which had been weak recently are now showing signs of recovery and the market is also believed to have worked out its overstock situation. Margin for this product is expected to improve in the coming quarters. Margins for the Group's pipes, fittings and other structural products are expected to remain stable.

Although demand for the Group's products is expected to be healthy amidst steady supply, the directors do not expect the Group to achieve the same exceptional revenue and profits recorded for the last financial year.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? None

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? None

(c) Date payable

Not applicable

(d) Books closure date

Not applicable.

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

No dividend has been declared or recommended for the current period reported on.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year

Not applicable.

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

Not applicable.

15. A breakdown of sales

Not applicable.

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year

Not applicable.

BY ORDER OF THE BOARD
Julie Koh Ngin Joo
Secretary
8 May 06