HUPSteel Limited
3QFY09 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)					
	3Q FY09	3Q FY08	% +/(-)	1.7.08 - 31.3.09	1.7.07 - 31.3.08	% +/(-)
Revenue	50,020	120,058	-58%	254,218	291,800	-13%
Changes in inventories	(36,737)	24,168	-252%	(53,720)	45,975	-217%
Purchases of inventories	(11,233)	(124,231)	-91%	(166,818)	(284,324)	-41%
Gross profit	2,050	19,995	-90%	33,680	53,451	-37%
Other operating income	188	151	25%	1,129	685	65%
Staff cost	(1,846)	(3,118)	-41%	(7,930)	(9,168)	-14%
Depreciation of property, plant and equipment	(421)	(405)	4%	(1,265)	(1,161)	9%
Other operating expenses	(1,550)	(5,410)	-71%	(7,848)	(12,818)	-39%
Finance cost - net	(752)	1,649	NM	(3,861)	920	NM
(Loss)/profit before tax	(2,331)	12,862	NM	13,905	31,909	-56%
Income tax credit/(expense)	362	(2,077)	NM	(2,398)	(5,505)	-56%
(Loss)/profit after tax	(1,969)	10,785	NM	11,507	26,404	-56%
Attributable to:						
Equity holders of the Company	(1,969)	10,785	NM	11,507	26,404	-56%
Earnings per share based on profit attributable to equity shareholders:						
- Basic (cent)	(0.31)	1.75		1.83	4.29	
- Diluted (cent)	(0.31)	1.75		1.83	4.29	

NM : Not meaningful

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

	GROUP (S$'000)			
	3Q FY09	3Q FY08	1.7.08 - 31.3.09	1.7.07 - 31.3.08
Dividend income	112	-	267	166
Other income including interest income	32	34	106	171
Profit/(loss) on sale of property, plant and equipment - net	-	-	1	(1)
Gain on disposal of available-for-sale financial assets	-	32	-	32
Foreign exchange gain/(loss)	54	(932)	827	(1,780)
Finance cost-net is made up of :				
Interest expense – trust receipts	(271)	(914)	(1,349)	(1,865)
Foreign exchange (loss)/gain arising from borrowings - trust receipts	(481)	2,563	(2,512)	2,785
Allowance for trade receivables	-	(32)	-	(34)
Write-back of allowance for trade receivables	14	-	39	-
Inventories written-back	-	2	-	1
Impairment reversal/(loss) on available-for-sale financial assets	69	-	(427)	-

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	
	31.03.2009	30.06.2008	31.03.2009	30.06.2008
	$'000	$'000	$'000	$'000
Current Assets				
Cash and cash equivalents	25,055	27,442	11,716	5,347
Trade and other receivables	56,394	109,045	41,175	44,360
Inventories	94,842	137,722	52,237	61,770
Other current assets	415	267	138	65
	176,706	274,476	105,266	111,542
Non Current Assets				
Financial assets, available-for-sale	7,688	7,375	7,688	7,375
Investment in club membership	58	58	-	-
Investment in subsidaries	-	-	9,457	9,457
Loan to subsidiaries	-	-	31,899	32,964
Investment properties	14,469	14,563	6,899	6,925
Property, plant and equipment	23,753	24,279	706	877
Goodwill	4,630	4,630	-	-
Deferred income tax assets	80	80	-	-
	50,678	50,985	56,649	57,598
Total Assets	**227,384**	**325,461**	**161,915**	**169,140**
Current Liabilities				
Trade and other payables	10,099	42,731	7,386	14,864
Current income tax liabilities	3,055	9,501	4,029	3,504
Borrowings	11,319	64,669	1,332	3,674
	24,473	116,901	12,747	22,042
Non Current Liabilities				
Borrowings	2,970	3,712	-	-
Provision for directors' retirement gratuity	986	940	986	940
Deferred income tax liabilities	862	862	699	699
	4,818	5,514	1,685	1,639
Total Liabilities	**29,291**	**122,415**	**14,432**	**23,681**
Net Assets	**198,093**	**203,046**	**147,483**	**145,459**
Share capital and reserves				
Share capital	107,485	107,485	107,485	107,485
Capital reserves	(1,259)	(1,259)	665	665
Currency translation reserves	(737)	(728)	-	-
Fair value reserves	242	1,009	242	1,009
Retained earnings	92,362	96,539	39,091	36,300
Interests of shareholders of the Company	**198,093**	**203,046**	**147,483**	**145,459**

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 31.03.2009		As at 30.6.2008	
Secured	Unsecured	Secured	Unsecured
990	10,329	1,023	63,646

Amount repayable after one year ($'000)

As at 31.03.2009		As at 30.6.2008	
Secured	Unsecured	Secured	Unsecured
2,970	-	3,712	-

Details of any collateral

The secured group borrowings and debt securities refer to mortgage relating to bank loan and equipment bought under hire purchase.

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)			
	3Q FY09	3Q FY08	1.7.08 - 31.3.09	1.7.07 - 31.3.08
Cash flow from operating activities				
Net (loss)/profit	(1,969)	10,785	11,507	26,404
Adjustments for:				
Income tax credit/(expense)	(362)	2,077	2,398	5,505
Property, plant and equipment and investment properties:				
- depreciation	317	405	1,265	1,161
- (gain)/loss on disposal	-	-	(1)	1
Gain on disposal of available-for-sale financial assets	-	(32)	-	(32)
Impairment loss on available-for-sale financial assets	(69)	-	427	-
Interest income	(32)	(34)	(106)	(171)
Interest expense	271	914	1,349	1,865
Dividend income	(112)	-	(267)	(166)
Operating cash flow before working capital changes	(1,956)	14,115	16,572	34,567
Changes in working capital:				
Inventories	38,093	(24,216)	42,880	(46,016)
Trade and other receivables	28,660	(15,238)	52,651	(45,155)
Currency translation differences	4	(12)	(9)	(86)
Trade and other payables	(11,250)	(6,613)	(32,586)	(14,376)
Other current assets	(10)	(26)	(148)	(103)
Cash provided by/(used in) operations	53,541	(31,990)	79,360	(71,169)
Income taxes paid	(3,577)	(2,583)	(8,844)	(6,548)
Interest received	32	(244)	106	161
Net cash provided by/(used in) operating activities	49,996	(34,817)	70,622	(77,556)
Cash flows from investing activities				
Property, plant and equipment:				
- purchases	94	(5,753)	(705)	(5,828)
- proceeds from disposal	-	-	61	-
Financial assets, available-for-sale				
- purchases	(7)	-	(1,507)	-
- proceeds from disposal	-	33	-	72
Dividends received	112	-	267	166
Net cash provided by/(used in) investing activities	199	(5,720)	(1,884)	(5,590)
Cash flow from financing activities				
Proceeds from issuance of shares	-	-	-	26,993
Proceeds from trust receipts	6,647	107,349	160,881	195,506
Repayment of trust receipts	(52,559)	(69,492)	(214,198)	(129,015)
Dividend paid to shareholders	-	-	(15,684)	(8,029)
Drawdown of term loan	-	4,950	-	4,950
Repayment of term loan	(247)	-	(760)	-
Repayment of finance lease obligations	(4)	(4)	(15)	(14)
Interest paid	(271)	(454)	(1,349)	(1,372)
Net cash (used in)/provided by financing activities	(46,434)	42,349	(71,125)	89,019
Net increase/(decrease) in cash and cash equivalents	3,761	1,812	(2,387)	5,873
Cash and cash equivalents at beginning of period	21,294	22,278	27,442	18,217
Cash and cash equivalents at end of period	25,055	24,090	25,055	24,090

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	Capital Reserves	Currency Translation Reserves	Fair Value Reserves	Retained Profits	Total
Group	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2008	107,485	(1,259)	(728)	1,009	96,539	203,046
Currency translation differences	-	-	(9)	-	-	(9)
Fair value losses on available-for-sale financial assets	-	-	-	(767)	-	(767)
Net profit					11,507	11,507
Dividend paid	-	-	-	-	(15,684)	(15,684)
At 31 March 2009	**107,485**	**(1,259)**	**(737)**	**242**	**92,362**	**198,093**
Group						
At 1 July 2007	68,157	(477)	(506)	1,526	76,428	145,128
Proceeds from shares placement	26,993	-	-	-	-	26,993
Rights issue	12,547	-	-	-	(12,547)	-
Currency translation differences	-	-	(86)	-	-	(86)
Fair value losses on available-for-sale financial assets	-	-	-	(319)	-	(319)
Net profit					26,404	26,404
Dividend paid	-	-	-	-	(12,448)	(12,448)
At 31 March 2008	**107,697**	**(477)**	**(592)**	**1,207**	**77,837**	**185,672**

	Share Capital	Capital Reserves	Currency Translation Reserves	Fair Value Reserves	Retained Profits	Total
Company	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2008	107,485	665	-	1,009	36,300	145,459
Fair value losses on available-for-sale financial assets	-	-	-	(767)	-	(767)
Net profit	-	-	-	-	18,475	18,475
Dividend paid	-	-	-	-	(15,684)	(15,684)
At 31 March 2009	**107,485**	**665**	**-**	**242**	**39,091**	**147,483**
Company						
At 1 July 2007	68,157	1,430	-	1,526	43,080	114,193
Proceeds from shares placement	26,993	-	-	-	-	26,993
Rights issue	12,547	-	-	-	(12,547)	-
Fair value losses on available-for-sale financial assets	-	-	-	(319)	-	(319)
Net profit	-	-	-	-	15,465	15,465
Dividend paid	-	-	-	-	(12,448)	(12,448)
At 31 March 2008	**107,697**	**1,430**	**-**	**1,207**	**33,550**	**143,884**

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

On 10 Sept 07, the Company announced a rights issue of 1 share for every 4 existing shares. A total of 125,474,122 rights shares at a subscription price of $0.10 per share were alloted, issued and quoted on the Singapore Exchange Securities - ST on the 6 Dec 2007. Hence the number of issued shares was increased to 627,370,610.

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 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

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 31.03.09	3 months ended 31.03.08 (note 1)	9 months ended 31.03.09	9 months ended 31.03.08 (note 1)
Earnings per share based on profit attributable to equity shareholders:				
(a) Basic (cent)	(0.31)	1.75	1.83	4.29
(b) Diluted (cent)	(0.31)	1.75	1.83	4.29

Note 1 : On 11 July 2007 and 10 Sept 2007, the Company announced a private placement of 49.5 million shares and a rights issue of 1 share for every 4 existing shares respectively. The basic and diluted earnings per share is calculated based on the weighted average number of ordinary shares during the period of 615,679,316 which includes the notional bonus element from the rights issue.

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	
	31.03.09	30.06.08	31.03.09	30.06.08
Net Asset Value per ordinary share (cents)	31.58	32.36	23.51	23.19

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 2009 ("3QFY09") vs QUARTER ENDED 31 MARCH 2008 ("3QFY08")

Revenue and Gross profit

With the global economy slipping deeper into recession in the first 3 months of 2009, the Singapore economy contracted more significantly during the period. Market demand for steel products shrank rapidly resulting in lower volume recorded for the Group's 3QFY09.

The Group reported a lower revenue of $50.0M for 3QFY09 compared to $120.0M recorded for 3QFY08. The decline in turnover was a reflection of the severe global economic downturn experienced during this period. Demand for steel products was weak in both local and overseas markets, leading to the low turnover reported. In addition, prices fell faster and steeper than expected which eroded the gross profit margins.

As the Group held lower inventories balance in 3QFY09, a smaller amount of $3.3M was set aside for the writing down in inventories to net realisable value. Previously, the write down in inventory was presented under other operating expenses. For 3QFY09, this write down was presented under the 'changes in inventory' line. Following this revised treatment, the gross profit for 1QFY09 and 2QFY09 would have been $21.8M (1QFY08:$16.4M) and $9.8M (2QFY08:$17.1M) respectively.

The gross profit for 3QFY09 was $2.1M compared to $20.0M reported for the corresponding quarter a year ago.

Staff costs, Depreciation, Other operating expenses and Finance cost

Staff costs for 3QFY09 fell 41% to $1.8M from $3.1M reported for 3QFY08 mainly due to steps taken to reduce salary costs, Government funding arising from the Job Credit Scheme, and no provision for staff incentives and profit sharing.

The slightly higher depreciation expense of $421K (3QFY08:$405K) was due to the full 3 months depreciation (3QFY08: 1 months) taken on a warehouse purchased in Feb 08.

Other operating expenses for 3QFY09 declined to $1.6M from $5.4M. The lower expenses were largely due to various cost saving measures implemented and also as a result of an exchange gain of $54K for 3QFY09 compared to an exchange loss of $932K recorded for 3QFY08.

Finance cost–net comprised interest expense and foreign exchange loss arising from borrowings. Interest expense of $271K incurred for 3QFY09 was lower than $914K reported for 3QFY08 as the Group had reduced its borrowings during the quarter. The saving achieved in the finance cost-net in 3QFY08 was mainly due to a foreign exchange gain of $2.6M arising from the revaluation of trust receipts outstanding in the books compared to a loss of $0.5M incurred for 3QFY09.

Loss attributable to equity holders of the Company

For 3QFY09, the Group registered a net loss of $1.9M attributable to the equity holders of the Company. However, the Group remained profitable for the 9 months ended 31 March 2009 with a reported net profit after tax of $11.5M.

Cash Flow

The Group was able to generate an operating cash inflow of $50.0M in 3QFY09 compared to an outflow of $34.8M in 3QFY08 as a result of concerted efforts at debt collection and much of the amount collected was used to reduce borrowings.

REVIEW OF FINANCIAL POSITION AS AT 31 MARCH 2009

Current assets and current liabilities

Trade and other receivables reduced to $56.4M from $109M as the Group concentrated its effort in debt collection to minimise credit risk arising from the economic downturn.

The Group reduced its inventory holding as mills' offer prices fell rapidly during the period. The lower purchasing activities resulted in the reduction of the Group borrowings from $64.7M to $11.3M.

Trade and other payables fell to $10.1M from $42.7M and borrowings fell to $11.3M from $64.7M reflecting the Group's ability to generate cash to pay its liabilities when they fell due. The Group's quick ratio stood at 1.02 as at 31 March 2009.

Non current assets and non current liabilities

The Group's available-for-sale financial assets of $7.7M were marked to market as at 31 March 2009. Investment properties and goodwill were not impaired as the underlying assets were either bought at low cost or the associated business fundamentals were adjudged to remain sound.

Share capital and reserves

Fair value reserves declined to $242K from $1.0M due to reduction in the market values of the Group's available-for-sale financial assets as at 31 March 2009.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

The results are in line with the profit guidance issued by the Company on 30 April 2009.

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 believes that the combined inventory level in the market has decreased considerably as many suppliers did not replenish their stocks during the last 3 months. This would lead to a gradual stabilisation of selling prices. With mills also adjusting their supply in response to market demand, the Group believes that it would provide further relief to the downward pressures on prices.

Market requirement for steel products is expected to flow from the Marine Sector as its order books remained full. Demand condition is expected to improve when the budgeted government infrastructural projects move into the implementation stage within the next few months.

The Group had minimised inventory purchases, concentrated on debt collection and repaying bank borrowings during the quarter. It had a positive operating cash inflow for 3QFY09 and held a cash balance in excess of its current liabilities, reflecting its strong financial position.

The Group will continue to manage its operating costs in order to remain competitive. It will also seek to take advantage of market opportunities to selectively replenish its inventory.

With the financial crisis now affecting the rest of the market, business conditions ahead will remain challenging. However the Group with its strong balance sheet and manageable borrowings is confident to ride out this difficult period.

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.

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.

17. Interested Person Transactions

Not applicable.

BY ORDER OF THE BOARD
Tan Cher Liang
Company Secretary
15th May 2009

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 3QFY09 financial results to be false or misleading in any material aspects.

On behalf of the Board of Directors

Lim Kim Thor
CEO & Managing Director
15 May 2009

Lim Boh Chuan
Deputy MD