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) Group statement of comprehensive income and comparative statement for the corresponding period of the immediately preceding financial year

The following figures have not been audited or reviewed.

	GROUP (S$'000)		
	1QFY11 30.09.10	1QFY10 30.09.09	% +/(-)
Revenue	45,955	36,917	24%
Changes in inventories	(13,707)	(7,943)	73%
Purchases of inventories	(25,780)	(23,103)	12%
Gross profit	6,468	5,871	10%
Other operating income	135	162	-17%
Staff costs	(2,182)	(2,122)	3%
Depreciation of property, plant and equipment	(376)	(424)	-11%
Other operating expenses	(1,990)	(1,272)	56%
Finance cost - net	158	52	204%
Profit before tax	2,213	2,267	-2%
Income tax expense	(376)	(379)	-1%
Total profit	1,837	1,888	-3%
Other comprehensive income/(expenses):			
Currency translation differences arising from consolidation	(12)	(5)	140%
Fair value gains on available-for-sale financial assets	127	311	-59%
Total comprehensive income	1,952	2,194	-11%
Profit attributable to Equity holders of the Company	1,837	1,888	-3%
Total comprehensive income attributable to Equity holders			
of the Company	1,952	2,194	-11%
Earnings per share based on profit attributable to equity shareholders:			
- Basic (cent) - see section 6	0.29	0.30	
- Diluted (cent) - see section 6	0.29	0.30	

NM : Not meaningful

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

	GROUP (S$'000)	
	1QFY11 30.09.10	1QFY10 30.09.09
Dividend income	49	47
Interest income	85	117
Foreign exchange loss	(402)	(207)
Finance cost-net is made up of :		
Interest expense	(85)	(40)
Foreign exchange gain arising from borrowings - trust receipts	243	92
Write back of inventory write-down	-	1,000

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	
	30.09.2010 $'000	30.06.2010 $'000	30.09.2010 $'000	30.06.2010 $'000
Current Assets				
Cash and cash equivalents	66,432	77,814	43,964	49,822
Trade and other receivables	50,302	53,789	6,647	7,836
Inventories	56,075	69,782	33,988	34,600
Other current assets	425	149	126	67
Due from subsidiaries	-	-	5,911	5,386
	173,234	201,534	90,636	97,711
Non Current Assets				
Available-for-sale financial assets	8,910	8,783	8,910	8,783
Investment in club membership	60	45	-	-
Investment in subsidiaries	-	-	9,457	9,457
Loan to a subsidiary	-	-	36,196	32,059
Property, plant and equipment	27,521	24,761	409	427
Investment properties	14,282	14,313	6,848	6,856
Goodwill	4,630	4,630	-	-
Deferred income tax assets	-	-	-	-
	55,403	52,532	61,820	57,582
Total Assets	**228,637**	**254,066**	**152,456**	**155,293**
Current Liabilities				
Trade and other payables	16,022	28,226	3,456	2,673
Derivative financial instruments	30	37	-	10
Current income tax liabilities	1,848	1,895	629	652
Borrowings	3,721	18,602	690	905
Due to subsidiaries - trade	-	-	2	4,236
	21,621	48,760	4,777	8,476
Non Current Liabilities				
Borrowings	1,485	1,731	-	-
Provision for directors' retirement gratuity	1,078	1,062	1,078	1,062
Deferred income tax liabilities	843	843	527	527
	3,406	3,636	1,605	1,589
Total Liabilities	**25,027**	**52,396**	**6,382**	**10,065**
Net Assets	**203,610**	**201,670**	**146,074**	**145,228**
Share capital and reserves				
Share capital	107,485	107,485	107,485	107,485
Treasury shares	(800)	(788)	(800)	(788)
Capital reserves	(1,216)	(1,216)	707	707
Currency translation reserves	(607)	(595)	-	-
Fair value reserves	1,069	942	1,069	942
Retained earnings	97,679	95,842	37,613	36,882
	203,610	**201,670**	**146,074**	**145,228**

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 30.9.2010		As at 30.6.2010	
Secured	Unsecured	Secured	Unsecured
990	2,731	997	17,605

Amount repayable after one year ('000)

As at 30.9.2010		As at 30.6.2010	
Secured	Unsecured	Secured	Unsecured
1,485	-	1,731	-

Details of any collateral

The secured group borrowings and debt securities refer to a legal mortgage secured on a subsidiary's leasehold property.

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)	
	1QFY10 30.09.10	1QFY09 30.09.09
Cash flow from operating activities		
Total profit	1,837	1,888
Adjustments for :		
- Income tax expense	376	379
- Property, plant and equipment and investment properties		
- Depreciation	376	424
- Interest income	(85)	(117)
- Interest expense	85	40
- Dividend income	(49)	(47)
	2,540	2,567
Change in working capital		
- Inventories	13,707	7,943
- Trade and other receivables	3,487	25,272
- Derivative financial instruments	(7)	(413)
- Trade and other payables	(12,204)	(12,511)
- Provision for director retirement gratuity	16	16
- Other current assets	(276)	(213)
Cash generated from operations	7,263	22,661
Income tax paid	(423)	(872)
Interest received	85	117
Net cash provided by operating activities	6,925	21,906
Cash flows from investing activities		
Property, plant & equipment :		
- Purchases	(3,105)	-
Dividends received	49	47
Net cash (used in)/from investing activities	(3,056)	47
Cash flows from financing activities		
Purchase of treasury shares	(12)	-
Proceeds from trust receipts	23,877	16,613
Repayment of trust receipts	(38,751)	(19,383)
Repayment of term loan	(253)	(254)
Interest paid	(85)	(40)
Net cash used in financing activities	(15,224)	(3,064)
Net (decrease)/increase in cash and cash equivalents	(11,355)	18,889
Cash and cash equivalents at beginning of the financial period	77,814	53,567
Effects of currency translation on cash and cash equivalents	(27)	(1)
Cash and cash equivalents at end of the financial period	66,432	72,455

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 2010	107,485	(788)	(1,216)	(595)	942	95,842	201,670
Purchase of treasury shares	-	(12)	-	-	-	-	(12)
Total comprehensive (expenses)/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**
Group							
At 1 July 2009	107,485	-	(1,216)	(774)	473	94,915	200,883
Total comprehensive (expenses)/income for 1st quarter	-	-	-	(5)	311	1,888	2,194
At 30 September 2009	**107,485**	**-**	**(1,216)**	**(779)**	**784**	**96,803**	**203,077**

	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 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**
Company							
At 1 July 2009	107,485	-	707	-	473	42,246	150,911
Total comprehensive income for 1st quarter	-	-	-	-	311	720	1,031
At 30 September 2009	**107,485**	**-**	**707**	**-**	**784**	**42,966**	**151,942**

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.

Under the Share buyback mandate approved by shareholders at the AGM held on 29 Oct 09 and 29 Oct 08, the Company purchased a total of 2,853,000 shares for $800K 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 2010	2,803,000	788
Purchases	50,000	12
Balance as at 30 Sep 2010	2,853,000	800

(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.

	30.09.10	30.06.10
Number of shares in issue	624,517,610	624,567,610

(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	
	1QFY10 30.09.10 (Note 1)	1QFY09 30.09.09
Earnings per share based on profit attributable to equity shareholders:		
(a) Basic (cent)	0.29	0.30
(b) Diluted (cent)	0.29	0.30

Note 1 : The basic and diluted earnings per share is calculated based on the weighted average number of ordinary shares of 624,521,958 (30.09.09: 627,370,610) 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	
	30.09.10	30.06.10	30.09.10	30.06.10
Net Asset Value per ordinary share (cents)	32.60	32.29	23.39	23.25

The net asset value per ordinary share is calculated based on the number of ordinary shares in issue of 624,517,610 at the end of the period (30.06.10: 624,567,610).

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		
	1QFY11	*4QFY10*	*1QFY10*
Revenue	45,955	57,183	36,917
Gross Profit	6,468	9,997	5,871
GP %	*14.1%*	*17.5%*	*15.9%*

Revenue for 1QFY11 was $46.0M, representing an increase of 24% over the corresponding quarter of $36.9M (1QFY10). The better performance was mainly due to improved demand.

However, compared with the last quarter, revenue decreased 19.6% from $57.2M to $46.0M. Demand from the marine and oil & gas sectors was relatively lower due to the lack of new projects and thereby resulting in a decline in revenue.

Despite achieving a higher turnover on a year-on-year basis, the gross profit margin in 1QFY11 softened slightly to 14.1% (1QFY10: 15.9%). The better gross profit margin for 1QFY10 as well as 4QFY10 was due to a write back of allowance ($1.0M in 1QFY10 and $0.7M in 4QFY10) previously provided for the impairment in inventory value while there was none in 1QFY11.

Staff costs, Depreciation, Other operating expenses and Finance cost

Staff cost in 1QFY11 rose slightly to $2.2M from $2.1M in 1QFY10 due to the discontinuation of the jobs credit scheme by the Singapore government after June 2010.

During the period, depreciation declined to $376K from $424K as one of the Group's warehouses was decomissioned for redevelopment into a better equipped storage facility.

Other operating expenses for 1QFY11 increased by 56% to $2.0M (1QFY10: $1.3M), mainly due to higher sales volume compared with a year ago.

Finance cost (net) in 1QFY11 was made up of interest expense of $85K (1QFY10: $40K) which was offset by an exchange gain of $243K (1QFY10: $92K) resulting in a net gain of $158K compared to $52K for 1QFY10. The Group continued with effort to pay down its borrowings and reduce its purchasing programme. As a result, the Group's borrowings stood at $5.2M at the end 1QFY11 (1QFY10: $20.3M). Part of these borrowings were in the form of US dollar denominated trust receipts and as US dollar weakened during the quarter, the Group benefitted from the translation of these liabilities into Singapore dollar.

Profitability review

In spite of a higher revenue reported, the net profit after tax for 1QFY11 fell slightly to $1.8M from $1.9M in 1QFY10. However, the higher 1QFY10 profit after tax was mainly due to the write back of the allowance of $1.0M previously provided for the impairment in inventory value.

REVIEW OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2010

Non current assets

Available-for-sale financial assets, increased to $8.9M from $8.8M as the market prices for bond and equities continued to recover in 1QFY11.

Current assets and current liabilities

Trade and other receivables decreased to $50.3M from $53.8M as the Group continued to focus on its debt collection efforts.

Inventories also decreased to $56.1M from $69.8M as the Group adopted a cautious purchasing programme in response to the soft market demand.

Trade and other payables declined to $16.0M from $28.2M as the Group utilised its cash collection to pay down its liabilities as they fell due.

Current income tax liabilities were lower at $1.8M (4QFY10: $1.9M) due to lower profits.

As the Group did not increase its purchasing activities and deployed its cash balances to pay down its borrowings as they fell due, these had caused borrowings to fall to $5.2M from $20.3M in 4QFY10.

Share capital and reserves

During the quarter, the Group continued to exercise its Share Buyback Mandate and purchased another 50,000 shares worth $12k from the open market. These are kept as treasury shares and reduce the amount of paid up share capital as at 30 September 2010.

Fair value reserves increased to $1.1M from $0.9M 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 continued to generate positive cash flow from its operating activities through cautious and selective inventory purchases and sustained collection effort on its trade receivables. The cash collected was then deployed to pay down its trust receipts facilities. Cash resources have also been used towards the ongoing redevelopment of one of its warehouses.

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

Although the local economy had grown significantly in the last 2 quarters, orders from the Group's customers which are mainly in the marine, oil & gas and construction sectors remained slow. The anemic recovery in the US and its high unemployment rate coupled with uncertainities in the Europe zone are delaying the launch of new projects in the marine, oil and gas sectors.

However, the Group may benefit from local infrastructure projects that have been rolled out recently which include the Sports Hub and seeks to increase supply to smaller scale shipbuilding projects. It will also continue to service its customers' routine repair and maintenance requirement which forms the perennial base of the Group's activities.

As demand for steel products is expected to remain subdued in the coming months, the Group will closely monitor its inventory purchases and manage its operating costs tightly. The weak US dollar is expected to translate into lower purchase prices but this benefit may be limited by the prevailing soft market demand for steel products. Nevertheless, the Group's strong cash balance will enable it to seize any opportunities arising in the market.

Bearing in mind the uncertainties in the global economy, the Board of Directors is cautiously optimistic about the performance of the Group in the current 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? 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.

BY ORDER OF THE BOARD
Tan Cher Liang
Company Secretary
4 November 2010

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 1QFY11 financial results to be false or misleading in any material aspects.

On behalf of the Board of Directors

Lim Kim Thor
CEO/MD
4 November 2010

Lim Boh Chuan
Deputy MD