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 FY10	2Q FY09 (Restated)	% +/(-)	1H FY10	1HFY09 (Restated)	% +/(-)
Revenue	43,843	92,494	-53%	80,760	204,198	-60%
Changes in inventories	(2,837)	2,998	NM	(10,780)	(4,787)	NM
Purchases of inventories	(32,557)	(85,701)	-62%	(55,660)	(167,781)	-67%
Gross profit	8,449	9,791	-14%	14,320	31,630	-55%
Other operating income	416	731	-43%	578	941	-39%
Staff cost	(2,001)	(2,545)	-21%	(4,123)	(6,084)	-32%
Depreciation of property, plant & equipment	(413)	(426)	-3%	(837)	(844)	-1%
Other operating expenses	(2,720)	(3,407)	-20%	(3,992)	(6,298)	-37%
Finance cost - net	32	(2,305)	NM	84	(3,109)	NM
Profit before tax	3,763	1,839	105%	6,030	16,236	-63%
Income tax expense	(640)	(307)	108%	(1,019)	(2,760)	-63%
Total profit	3,123	1,532	104%	5,011	13,476	-63%
Other comprehensive income/expenses :						
Currency translation differences arising from consolidati	(51)	7	NM	(56)	(13)	331%
Fair value gains on available-for-sale financial assets	220	(192)	NM	531	(788)	NM
Other comprehensive income/expenses, net of tax	169	(185)	NM	475	(801)	NM
Total comprehensive income	3,292	1,347	144%	5,486	12,675	-57%
Profit attributable to Equity holders of the Company	3,123	1,532	104%	5,011	13,476	-63%
Total comprehensive income attributable to :						
Equity holders of the Company	3,292	1,347	144%	5,486	12,675	-57%
Earnings per share based on profit attributable to equity shareholders:						
- Basic (cent)	0.50	0.24		0.80	2.15	
- Diluted (cent)	0.50	0.24		0.80	2.15	

Note : NM : not meaningful

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

	GROUP (S$'000)			
	2Q FY10	2Q FY09	1H FY10	1H FY09
Dividend income	144	144	191	155
Interest income	111	52	228	74
Profit on sale of property, plant and equipment - net	-	-	-	1
Foreign exchange (loss)/gain	(393)	959	(600)	773
Finance cost-net is made up of :				
Interest expense	(21)	(624)	(61)	(1,078)
Foreign exchange gain/(loss) arising from borrowings (trust receipts)	53	(1,681)	145	(2,031)
Write-back of allowance for trade receivables	-	25	-	25
(Allowance for)/write-back of inventory write-down	1,470	(5,700)	2,470	(12,196)
Impairment loss on available-for-sale financial assets	-	(496)	-	(496)

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	
	31.12.2009	30.06.2009	31.12.2009	30.06.2009
	$'000	$'000	$'000	$'000
Current Assets				
Cash and cash equivalents	71,979	53,567	49,706	26,746
Trade and other receivables	42,579	62,511	8,816	16,668
Inventories	56,357	67,137	35,512	41,481
Other current assets	409	255	111	60
Due from subsidiaries	-	-	8,554	21,353
	171,324	183,470	102,699	106,308
Non Current Assets				
Available-for-sale financial assets	8,830	8,158	8,830	8,158
Investment in club membership	58	58	-	-
Investment in subsidaries	-	-	9,457	9,457
Loan to a subsidiary	-	-	30,732	31,590
Property, plant and equipment	22,297	23,073	508	635
Investment properties	14,376	14,437	6,874	6,890
Goodwill	4,630	4,630	-	-
Deferred income tax assets	119	29	-	-
	50,310	50,385	56,401	56,730
Total Assets	**221,634**	**233,855**	**159,100**	**163,038**
Current Liabilities				
Trade and other payables	14,162	20,911	3,764	4,095
Derivative financial instruments	-	413	-	413
Current income tax liabilities	2,261	2,960	1,545	2,243
Borrowings	1,441	4,164	444	351
Due to subsidiaries - trade	-	-	4,160	3,453
	17,864	28,448	9,913	10,555
Non Current Liabilities				
Borrowings	2,221	2,722	-	-
Provision for directors' retirement gratuity	1,032	1,001	1,032	1,001
Deferred income tax liabilities	847	801	571	571
	4,100	4,524	1,603	1,572
Total Liabilities	**21,964**	**32,972**	**11,516**	**12,127**
Net Assets	**199,670**	**200,883**	**147,584**	**150,911**
Share capital and reserves				
Share capital	107,055	107,485	107,055	107,485
Capital reserves	(1,216)	(1,216)	707	707
Currency translation reserves	(830)	(774)	-	-
Fair value reserves	1,004	473	1,004	473
Retained earnings	93,657	94,915	38,818	42,246
	199,670	**200,883**	**147,584**	**150,911**

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 31.12.2009		As at 30.6.2009	
Secured	Unsecured	Secured	Unsecured
997	444	997	3,167

Amount repayable after one year ('000)

As at 31.12.2009		As at 30.6.2009	
Secured	Unsecured	Secured	Unsecured
2,221	-	2,722	-

Details of any collateral

The secured group borrowings and debt securities refer to plant and machinery 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)			
	2Q FY10	2Q FY09	1H FY10	1H FY09
Cash flow from operating activities				
Net profit	3,123	1,532	5,011	13,476
Adjustments for:				
-Income tax expense	640	307	1,019	2,760
- Property, plant and equipment and				
investment properties				
- Depreciation	413	426	837	844
- Net gain on disposal	-	-	-	(1)
- Impairment loss on available-for-sale				
financial assets	(140)	496	(140)	496
- Interest income	(111)	(52)	(228)	(74)
- Interest expense	21	624	61	1,078
- Dividend income	(144)	(144)	(191)	(155)
	3,802	3,189	6,369	18,424
Change in working capital				
- Inventories	2,837	(2,998)	10,780	4,787
-Trade and other receivables	(5,340)	5,987	19,932	23,991
- Derivative financial instruments	-	-	(413)	-
-Trade and other payables	5,777	4,114	(6,718)	(21,336)
-Other current assets	59	(18)	(154)	(138)
Cash generated from operations	7,135	10,274	29,796	25,728
Income taxes paid	(890)	(4,087)	(1,762)	(5,267)
Interest received	111	52	228	74
Net cash generated from operating activities	6,356	6,239	28,262	20,535
Cash flows from investing activities				
Property, plant & equipment :				
- Purchases	(1)	(281)	(1)	(695)
- Proceeds from disposal	-	-	-	61
Financial assets, available-for-sale				
- Purchases	-	-	-	(1,500)
Dividends received	144	144	191	155
Net cash from/(used in) investing activities	143	(137)	190	(1,979)
Cash flows from financing activities				
Purchase of treasury shares	(430)	-	(430)	-
Proceeds from trust receipts	4,689	73,709	21,302	154,234
Repayment of trust receipts	(4,642)	(71,310)	(24,025)	(161,639)
Dividend paid to shareholders	(6,269)	(15,684)	(6,269)	(15,684)
Repayment of term loan	(247)	(248)	(501)	(513)
Repayment of finance lease obligations	-	(6)	-	(11)
Interest paid	(21)	(624)	(61)	(1,078)
Net cash used in financing activities	(6,920)	(14,163)	(9,984)	(24,691)
Net (decrease)/increase in cash and cash equivalents	(421)	(8,061)	18,468	(6,135)
Cash and cash equivalents at beginning				
of the financial period	72,455	29,348	53,567	27,442
Effects of currency translation on cash and				
cash equivalents	(55)	7	(56)	(13)
Cash and cash equivalents at end				
of the financial period	71,979	21,294	71,979	21,294

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 Earnings	Total Equity
Group	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2009	107,485	(1,216)	(774)	473	94,915	200,883
Total comprehensive income for 1st quarter	-	-	(5)	311	1,888	2,194
At 30 September 2009	107,485	(1,216)	(779)	784	96,803	203,077
Purchase of treasury shares	(430)	-	-	-	-	(430)
Dividend paid	-	-	-	-	(6,269)	(6,269)
Total comprehensive income for 2nd quarter	-	-	(51)	220	3,123	3,292
At 31 December 2009	**107,055**	**(1,216)**	**(830)**	**1,004**	**93,657**	**199,670**
Group						
At 1 July 2008	107,485	(1,259)	(728)	1,009	96,539	203,046
Total comprehensive income for 1st quarter	-	-	(20)	(596)	11,944	11,328
At 30 September 2008	107,485	(1,259)	(748)	413	108,483	214,374
Dividend paid	-	-	-	-	(15,684)	(15,684)
Total comprehensive income for 2nd quarter	-	-	7	(192)	1,532	1,347
At 31 December 2008	**107,485**	**(1,259)**	**(741)**	**221**	**94,331**	**200,037**

	Share Capital	Capital Reserves	Currency Translation Reserves	Fair Value Reserves	Retained Earnings	Total Equity
Company	$'000	$'000	$'000	$'000	$'000	$'000
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
Purchase of treasury shares	(430)	-	-	-	-	(430)
Dividend paid	-	-	-	-	(6,269)	(6,269)
Total comprehensive income for 2nd quarter	-	-	-	220	2,121	2,341
At 31 December 2009	**107,055**	**707**	**-**	**1,004**	**38,818**	**147,584**
Company						
At 1 July 2008	107,485	665	-	1,009	36,300	145,459
Total comprehensive income for 1st quarter	-	-	-	(596)	9,054	8,458
At 30 September 2008	107,485	665	-	413	45,354	153,917
Dividend paid	-	-	-	-	(15,684)	(15,684)
Total comprehensive income for 2nd quarter	-	-	-	(192)	6,665	6,473
At 31 December 2008	**107,485**	**665**	**-**	**221**	**36,335**	**144,706**

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 at the AGM held on 29 Oct 09 and 29 Oct 08, the Company purchased a total of 1,538,000 shares for $430K 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 2009	0	0
Purchases	1,538,000	430
Balance as at 31 Dec 2009	1,538,000	430

(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.

	31.12.09	30.06.09
Number of shares in issue	625,832,610	627,370,610

(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 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.

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 31.12.09 (note 1)	3 months ended 31.12.08	6 months ended 31.12.09 (note 1)	6 months ended 31.12.08
Earnings per share based on profit attributable to equity shareholders:				
(a) Basic (cent)	0.50	0.24	0.80	2.15
(b) Diluted (cent)	0.50	0.24	0.80	2.15

Note 1 : The basic and diluted earnings per share is calculated based on the weighted average number of ordinary shares of 626,876,001 (31.12.08: 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	
	31.12.09	30.06.09	31.12.09	30.06.09
Net Asset Value per ordinary share (cents)	31.90	32.02	23.58	24.05

The net asset value per ordinary share is calculated based on the number of ordinary shares in issue of 625,832,610 at the end of the period (30.06.09: 627,370,610).

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

REVIEW OF OPERATING PERFORMANCE FOR THE QUARTER ENDED 31 DECEMBER 2009 ('2QFY10') vs QUARTER ENDED 31 DECEMBER 2008 ('2QFY09')

Turnover and Gross profit

($'000)	2QFY10	1QFY10	2QFY09	1HFY10	1HFY09
Revenue	43,843	36,917	92,494	80,760	204,198
Gross profit	8,449	5,871	9,791	14,320	31,630
Gross profit margin	19.3%	15.9%	10.6%	17.7%	15.5%

Turnover for 2QFY10 was $43.8M, representing an increase of approximately 19% over 1QFY10 of $36.9M. The better performance was mainly due to improved demand experienced during the reporting quarter.

However turnover was 53% lower than the reported turnover of $92.5M for 2QFY09. The decline was largely a reflection of the weak economic conditions prevailing in 2009 caused by the global financial crisis in 2008.

Gross profit for 2QFY10 was $8.4M (1QFY10: $5.9M) declining 14% from $9.8M in 2QFY09 mainly as a result of the lower revenue reported.

However the Group generated gross profit margin of 19.3% for 2QFY10 (1QFY10: 15.9%) which was an improvement from the gross profit margin of 10.6% achieved in the corresponding quarter of 2QFY09. The better gross profit margin was partially caused by a write back of $1.5M previously provided for the

impairment in inventory value while there was a write-down of $5.7M instead in 2QFY09. These figures also showed selling prices have remained firm since 1QFY10.

Staff costs, Other operating expenses and Finance cost

The decline in staff costs in 2QFY10 to $2.0M from $2.5M (2QFY09) was mainly due to lower provision of incentives, lower headcount, salaries reduction implemented in calendar year 2009 and receipt from the Job Credit Scheme.

Other operating expenses for 2QFY10 declined to $2.7M from $3.4M (2QFY09) mainly due to the reduction in trading activities arising from the smaller sales volume reported. Various cost cutting measures implemented during the calendar year 2009 also contributed to the lower costs incurred. An impairment loss of $496K taken up in 2QFY09, relating to available-for-sale financial assets also caused the amount to become higher in the corresponding period.

Finance cost-net in 2QFY10 was made up of interest expense of $21K (2QFY09: $624K) which was offset by an exchange gain of $53K (2QFY09: loss of $1.68M) resulting in a net gain of $32K compared to an expense of $2.3M for 2QFY09. The Group incurred lower interest expense as it continued with effort to pay down its borrowings coupled with its reduced purchasing programme in respond to the weak market demand for steel products. As a result, the Group borrowings stood at $1.4M at the end 2QFY10 (2QFY09: $57.2M). Part of these borrowings were in the form of US dollar denominated trust receipts and the Group benefitted from the weakening of the US dollar against the Singapore dollar.

Profit attributable to equity holders of the Company

Profit after tax for 2QFY10 rose 104% to $3.1M from $1.5M for 2QFY09 despite reporting a lower turnover. In 1QFY10, the Group achieved $1.9M in profit after tax.

Cash flow

The Group continued to generate a net cash inflow from operating activities during the quarter through cautious and selective inventories purchases and sustained collection effort on its trade receivables. The cash collected was then deployed to the early settlement of trust receipts thereby reducing interest expense incurred.

REVIEW OF FINANCIAL POSITION AS AT 31 DECEMBER 2009

Current assets and current liabilities

During the quarter, the Group kept up its collection effort which resulted in its balance of trade and other receivables decreasing to $42.6M from $62.5M (4QFY09). The lower quarterly sales also contributed to the lower outstanding balance.

With the Group exercising caution in inventory replenishment and selling from its inventory holding, its inventory balance further decreased to $56.4M from $67.1M (4QFY09).

Trade and other payables decreased to $14.1M from $20.9M while borrowings also reduced to $1.4M from $4.2M as the Group made fewer inventory purchases and paid its debts as they fell due. The Group posted an even higher current ratio of 9.7 times (4QFY09: 6.4 times) and a net cash position for the quarter.

Share capital and reserves

During the quarter, the Group exercised its Share Buyback Mandate and purchased $430K worth of its own shares from the open market and these are now held as Treasury shares.

Fair value reserve arising from available-for-sale financial assets rose to $1.0M from $473K as values of quoted equities have been recovering since the end of 4QFY09.

During the quarter, the Group made payment for the approved final tax-exempt dividend of 1 cent/share (approximately $6.3M) with respect to the financial year ended 30 June 2009. The net effect of this distribution and the Group's reported profit for the six months ended 31 Dec 2009 resulted in the decrease in retained earnings to $93.7M from $94.9M as at 30 June 2009.

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 Group experienced improvement in demand for its structural steel products in 2QFY10, customers are still cautious with their purchases as they are uncertain about the pace of recovery in the local economy in the next few quarters. As such, demand for structural steel products is likely to remain unchanged in the near term.

Most mills are feeling pressure from high raw material costs eg. iron ore and coke and high production costs eg. oil which may lead to eventual price hikes. So far, price increases have been moderate due to the slow recovery in market demand.

Demand for pipes and fittings is also expected to remain stable and the Group is looking forward to customers restarting projects that were postponed last year due to the economic crisis. Prices have remained relatively stable but it will also face similar pressure for upward adjustments as structural steel products.

The Group continues to monitor its inventory replenishment activities closely so that it can meet customers requirement on a timely basis.

With the economy recovering slower than desired, the Group remains vigilant in controlling costs, improving efficiency and delivering value-added services to our customers which will enhance our long term competitiveness.

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? No

(c) Date payable

To be advised.

(d) Books closure date

To be advised.

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
Secretary
10 February 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 material has come to the attention of the Board of Directors of the Company which may render the 2QFY10 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 2010

Lim Boh Chuan
Deputy MD