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 income statement 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)		
	1QFY09 30.09.08	1QFY08 30.09.07	% +/(-)
Revenue	111,704	71,724	56%
Changes in inventories	(7,785)	(1,271)	513%
Purchases of inventories	(75,584)	(54,055)	40%
Gross profit	28,335	16,398	73%
Other operating income	210	130	62%
Staff costs	(3,539)	(2,886)	23%
Depreciation of property, plant and equipment	(418)	(379)	10%
Other operating expenses	(9,387)	(3,889)	141%
Finance cost - net	(804)	(401)	100%
Profit before tax	14,397	8,973	60%
Income tax expense	(2,453)	(1,615)	52%
Total profit	11,944	7,358	62%
Attributable to:			
Equity holders of the Company	11,944	7,358	62%
Earnings per share based on profit attributable to equity shareholders:			
- Basic (cent) - see section 6	1.90	1.30	
- Diluted (cent) - see section 6	1.90	1.30	

Nm : Not meaningful

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

	GROUP (S$'000)	
	1QFY09 30.09.08	1QFY08 30.09.07
Dividend income	11	21
Other income including interest income	22	33
Profit on sale of property, plant and equipment - net	1	-
Foreign exchange loss	(186)	(664)
Finance cost-net is made up of :		
Interest expense – trust receipts	(454)	(411)
Foreign exchange (loss)/gain arising from borrowings - trust receipts	(350)	10
Allowance for trade receivables	-	(8)
Write-back of allowance for trade receivables	-	8
Allowance for slow and obsolete inventories	(6,496)	-

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	
	30.09.2008 $'000	30.06.2008 $'000	30.09.2008 $'000	30.06.2008 $'000
Current Assets				
Cash and cash equivalents	29,348	27,442	5,407	5,347
Trade and other receivables	91,041	109,045	48,625	44,360
Inventories	129,937	137,722	60,676	61,770
Other current assets	387	267	116	65
	250,713	274,476	114,824	111,542
Non Current Assets				
Financial assets, available-for-sale	8,279	7,375	8,279	7,375
Investment in club membership	58	58	-	-
Investment in subsidaries	-	-	9,457	9,457
Loan to subsidiaries	-	-	32,116	32,964
Investment properties	14,531	14,563	6,916	6,925
Property, plant and equipment	24,247	24,279	816	877
Goodwill	4,630	4,630	-	-
Deferred income tax assets	80	80	-	-
	51,825	50,985	57,584	57,598
Total Assets	**302,538**	**325,461**	**172,408**	**169,140**
Current Liabilities				
Trade and other payables	17,266	42,731	11,462	14,864
Current income tax liabilities	10,774	9,501	4,844	3,504
Borrowings	54,842	64,669	531	3,674
	82,882	116,901	16,837	22,042
Non Current Liabilities				
Borrowings	3,465	3,712	-	-
Provision for directors' retirement gratuity	955	940	955	940
Deferred income tax liabilities	862	862	699	699
	5,282	5,514	1,654	1,639
Total Liabilities	**88,164**	**122,415**	**18,491**	**23,681**
Net Assets	**214,374**	**203,046**	**153,917**	**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	(748)	(728)	-	-
Fair value reserves	413	1,009	413	1,009
Retained earnings	108,483	96,539	45,354	36,300
Interests of shareholders of the Company	**214,374**	**203,046**	**153,917**	**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 30.9.2008		As at 30.6.2008	
Secured	Unsecured	Secured	Unsecured
1,000	53,842	1,023	63,646

Amount repayable after one year ('000)

As at 30.9.2008		As at 30.6.2008	
Secured	Unsecured	Secured	Unsecured
3,465	-	3,712	-

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)	
	1QFY09 30.09.08	1QFY08 30.09.07
Cash flow from operating activities		
Net profit	11,944	7,358
Adjustments for:		
Income tax expense	2,453	1,615
Property, plant and equipment and investment properties		
- depreciation	418	379
- gain on disposal	(1)	-
Interest income	(22)	(33)
Interest expense	454	411
Dividend income	(11)	(21)
Operating cash flow before working capital changes	15,235	9,709
Changes in working capital:		
Inventories	7,785	1,271
Trade and other receivables	18,004	2,972
Currency translation differences	(20)	-
Trade & other payables	(25,450)	(11,711)
Other current assets	(120)	(338)
Cash generated from operations	15,434	1,903
Income tax paid	(1,180)	(1,488)
Interest received	22	29
Net cash provided by operating activities	14,276	444
Cash flows from investing activities		
Property, plant and equipment :		
- purchases	(414)	(25)
- proceeds from disposal	61	-
Financial assets, available-for-sale		
- purchases	(1,500)	-
Dividends received	11	21
Net cash used in investing activities	(1,842)	(4)
Cash flow from financing activities		
Proceeds from issuance of shares	-	26,993
Proceeds from trust receipts	80,525	47,785
Repayment of trust receipts	(90,329)	(64,044)
Dividend paid to shareholders	-	(1,855)
Repayment of term loan	(265)	
Repayment of finance lease obligations	(5)	(6)
Interest paid	(454)	(353)
Net cash (used in)/provided by financing activities	(10,528)	8,520
Net increase in cash and cash equivalents	1,906	8,960
Cash and cash equivalents at beginning of period	27,442	18,217
Cash and cash equivalents at end of period	29,348	27,177

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	-	-	(20)	-	-	(20)
Fair value losses on available-for-sale financial assets	-	-	-	(596)	-	(596)
Net profit for 1st quarter	-	-	-	-	11,944	11,944
At 30 September 2008	**107,485**	**(1,259)**	**(748)**	**413**	**108,483**	**214,374**
Group						
At 1 July 2007	68,157	(477)	(506)	1,526	76,428	145,128
Proceeds from shares placement	26,993					26,993
Currency translation differences	-	-	(74)	-	-	(74)
Fair value gains on available-for-sale financial assets	-	-	-	54	-	54
Net profit for 1st quarter	-	-	-	-	7,358	7,358
At 30 September 2007	**95,150**	**(477)**	**(580)**	**1,580**	**83,786**	**179,459**

	Share Capital	Capital Reserves	Foreigh Currency Translation Reserve	Fair Value Reserve	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	-	-	-	(596)	-	(596)
Net profit for 1st quarter	-	-	-	-	9,054	9,054
At 30 September 2008	**107,485**	**665**	**-**	**413**	**45,354**	**153,917**
Company						
At 1 July 2007	68,157	1,430	-	1,526	43,080	114,193
Proceeds from shares placement	26,993					26,993
Fair value gains on available-for-sale financial assets	-	-	-	54	-	54
Net profit for 1st quarter	-	-	-	-	5,184	5,184
At 30 September 2007	**95,150**	**1.430**	**-**	**1,580**	**48,264**	**146,424**

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

Not applicable.

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

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	
	1QFY09 30.09.08	1QFY08 30.09.07 (note 1)
Earnings per share based on profit attributable to equity shareholders:		
(a) Basic (cent)	1.90	1.30
(b) Diluted (cent)	1.90	1.30

Note 1 : On 10 Sept 2007, the Company announced a rights issue of 1 share for every 4 existing shares. The basic and diluted earnings per share is calculated based on the weighted average number of ordinary shares during the period of 567,483,383, which includes the notional bonus element from this 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	
	30.09.08	30.06.08	30.09.08	30.06.08
Net Asset Value per ordinary share (cents)	34.17	32.36	24.53	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

Revenue

Revenue for 3 months ended 30 September 2008 ('1QFY09') rose strongly by 56% to $111.7M as compared to $71.7M for 3 months ended 30 September 2007 ('1QFY08'). The higher revenue in 1QFY09 was partially due to higher selling price achieved for the Group's steel products and stronger demand from its 3 main customer segments namely oil & gas, marine and construction when compared to 1QFY08.

In line with higher revenue achieved, gross profit for 1QFY09 rose 73% to $28.3M from $16.4M (1QFY08). The gross profit margin for the Group also increased to 25.4% from 22.9% (1QFY08) as a result of better prices achieved in 1QFY09 for most of the Group's products.

Staff costs, Depreciation, Other operating expenses and Finance cost

Staff costs rose 23% to $3.5M from $2.9M mainly due to higher provision for incentives and higher headcount in line with increased sales.

Depreciation expenses increased by 10% to $418K from $379K mainly due to depreciation attributed to the purchase of a new warehouse in February 2008.

Other operating expenses rose 141% to $9.4M compared to $3.9M for 1QFY08 due mainly to a provision for a write down of inventory of $6.5M.

Finance expenses rose to $804K from $401K mainly due to foreign exchange loss of $350K (1QFY08: $10k exchange gain) as US dollars strengthened during the quarter.

Profitability review

Net profit after tax for 1QFY09 rose 62% to $11.9M from $7.4M as reported for 1QFY08. This was in line with the higher revenue and margin achieved for the quarter. Net profit margin was 10.7% which was comparable to 10.3% achieved in 1QFY08 and would have been better had it not been for the provision for inventory.

REVIEW OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2008

Non current assets

Financial assets, available-for-sale, increased to $8.3M from $7.4M. This increase was due to an investment in a fixed income instrument amounting to $1.5M.

Current assets and current liabilities

Trade and other receivables decreased to $91.0M from $109.0M as at the end of the last financial year ended 30 June 2008 as a result of the Group putting in more effort in collection of its debts in the midst of the financial market turmoil.

Inventories decreased slightly to $129.9M (4QFY08: $137.7M), in line with the Group strategy to adjust inventory level in response to the prevailing market demand and supply conditions.

Trade and other payables and borrowings decreased to $17.3M and $54.8M from $42.7M and $64.7M respectively due to reduction in inventory purchases during the quarter.

Share capital and reserves

Fair value reserves decreased to $413k from $1.0M mainly due to the fall in prices quoted for the financial assets available for sale, as a result of the weakening global financial market.

Cashflow

The Group generated a positive operating cash inflow of $14.3M during the quarter from improved debt collection and better working capital management. Overall, balances of cash and cash equivalent improved to $29.3M at end of 1QFY09. The current ratio improved to 3.02 from 2.35 (4QFY08) while the net gearing of the Group improved to 0.14X from 0.2X (4QFY08).

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 recent financial market turmoil and signs of slowdown in the US and global economies had dampened global demand for steel products. Demand is expected to slow down in the next quarter and to remain soft until confidence returns to the financial markets.

Due to a rapid softening demand for steel plates globally during this period, plates' prices declined more steeply than expected. Some mills had planned to reduce production in the hope that such action would arrest the decline in prices. Locally, many of the Group's customers had adopted a cautious approach to purchasing, buying only to meet immediate needs and based on the most competitive offer. As a result, the Group made a provision for inventory write down to reflect the situation in 1QFY09 and will continue to monitor its inventory closely in the coming quarters. So far, selling prices for most of the other products remain healthy.

However, management believes that local demand for structural steel products, pipes and fittings has not materially changed but only been deferred in the light of the current economic conditions. Certain key infrastructural projects remain ongoing which include the upgrading of Changi Airport Terminal 1, new Downtown MRT line, Marina coastal highway, Khoo Teck Puat Hospital and the Sports Hub. The Group's

offshore and marine customers will need to continue to fulfill their strong order books that stretch up to 2011. These activities will continue to provide support to the Group's business.

The local market is also hoping that the government will restart projects that were deferred earlier to provide support in the near term.

The Group will monitor the fluctuations in steel prices closely and cautiously time its inventory replenishment in response to market conditions. It also aims to strengthen its working capital position in order to take advantage of the eventual market recovery.

The strong cash position of the Group will help to cushion any negative impact that may arise from the downturn in the global economy. At the EGM held at the end of October, the shareholders had given a mandate for the Company to buy back its shares when appropriate.

In line with the Company's initiatives announced earlier in the year that it was actively pursuing acquisition and other business development opportunities, the Company has retained a financial adviser to work with the Company to identify opportunities to grow and diversify the Company's business.

The Board of Directors expect market conditions to remain challenging in the near term but believes that the Group will be able to leverage on its management's experience of more than 60 years in the steel business and Hupsteel's strong balance sheet to ride out the current economic uncertainty.

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
11 November 2008

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 1QFY09 financial results to be false or misleading in any material aspects.

On behalf of the Board of Directors

Lim Kim Thor
CEO
11 November 2008

Lim Boh Chuan
Deputy MD