First Quarter * Financial Statement And Dividend Announcement

Name of Announcer *	HUP SENG HUAT CO LTD
Company Registration No.	197301452D
Announcement submitted on behalf of	HUP SENG HUAT CO LTD
Announcement is submitted with respect to *	HUP SENG HUAT CO LTD
Announcement is submitted by *	Julie Koh Ngin Joo
Designation *	Company Secretary
Date & Time of Broadcast	15-Dec-2004 17:29:53
Announcement No.	00043

Announcement Details

The details of the announcement start here ...

For the Financial Period Ended *	31-07-2004

HUP SENG HUAT CO. LTD
UNAUDITED FIRST QUARTER FINANCIAL STATEMENT ANNOUNCEMENT

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

The following figures have not been audited.

	GROUP (S$'000)		
	1Q05	**1Q04**	%
Revenue	34,844	9,745	257.6
Cost of goods sold	(22,275)	(7,504)	196.8
Gross profit	12,569	2,241	460.9
Other operating income	85	155	-45.2
Staff costs	(2,669)	(1,094)	144.0
Depreciation of property, plant & equipment	(304)	(299)	1.7
Other operating expenses	(2,721)	(563)	383.3
Profit from operations	6,960	440	1,481
Finance costs	(13)	(8)	62.5
Profit before tax	6,947	432	1,508
Tax	(1,420)	(21)	6,662
Profit from ordinary activities before minority interests	5,527	411	1,244
Minority interests	(9)	0	NM
Net Profit attributable to shareholders	5,518	411	1,243

NM : Not meaningful

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

	GROUP (S$'000)	
	1Q05	**1Q04**
Investment income	47	48
Other income including interest income	85	104
Profit / (Loss) on sale of property, plant and equipment	(197)	3
Foreign exchange (loss)	(140)	(82)
Write-back for doubtful receivables	68	66
(Allowance) for slow moving inventories	(129)	(96)
Interest on borrowings	(60)	(8)

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	
	31.10.2004	**31.07.2004**	**31.10.2004**	**31.07.2004**
Current Assets				
Cash and bank balances	13,262	14,226	6,694	2,992
Trade debtors	27,775	30,014	12,742	13,614
Stocks	34,863	34,133	23,050	21,968
Other current assets	483	273	218	87
Due from subsidiaries	-	-	4,295	5,006
	76,383	**78,646**	**46,999**	**43,667**
Non Current Assets				
Other receivables	18	20	-	-
Investments	9,449	9,490	16,638	16,677
Loan to a subsidiary	-	-	30,336	30,650
Property, plant & equipment	33,956	34,876	8,495	9,116
Goodwill	4,630	4,630	-	-
Deferred tax assets	132	131	105	105
	48,185	**49,147**	**55,574**	**56,548**
Total Assets	**124,568**	**127,793**	**102,573**	**100,215**
Current Liabilities				
Trade creditors	3,375	3,482	1,337	715
Other creditors and accruals	7,483	5,405	4,536	4,490
Current tax liabilities	3,834	3,002	880	1,262
Borrowings	2,745	9,618	979	5,299
Due to subsidiaries - trade	-	-	9	6
	17,437	**21,507**	**7,741**	**11,772**
Non Current Liabilities				
Borrowings	3,185	7,857	-	-
Provision for directors' retirement gratuity	709	684	708	684
Deferred tax liabilities	188	188	-	-
	4,082	**8,729**	**708**	**684**
Total Liabilities	**21,519**	**30,236**	**8,449**	**12,456**
Net Assets	**103,049**	**97,557**	**94,124**	**87,759**
Share capital and reserves				
Share capital	30,154	30,127	30,154	30,127
Share premium	29,163	29,146	29,163	29,146
Capital reserves	(477)	(477)	1,430	1,430
Foreign currency translation reserve	(582)	(507)	-	-
Retained earnings	44,691	39,173	33,377	27,056
Interests of shareholders of the Company	**102,949**	**97,462**	**94,124**	**87,759**
Minority interests	100	95	-	-
	103,049	**97,557**	**94,124**	**87,759**

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

Amount repayable in one year or less, or on demand

As at 31.10.2004		As at 31.07.2004	
Secured	Unsecured	Secured	Unsecured
20	2,725	68	9,550

Amount repayable after one year

As at 31.10.2004		As at 31.07.2004	
Secured	Unsecured	Secured	Unsecured
18	3,167	24	7,833

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 guarantees.

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	
	1Q05	1Q04
	S$'000	S$'000
Cash flows from operating activities		
Profit before tax	**6,947**	**432**
Adjustments for:		
Exchange differences	17	6
Provision for directors' retirement gratuity	25	15
Property, plant and equipment :		-
- depreciation	304	299
Investments :		
- loss / (profit) on disposal	197	(3)
Allowance for / (Write-back) :		
- doubtful receivables	-	1
- slow moving inventories	129	96
Allowance for doubtful receivables written back	(68)	(66)
Interest income	(48)	(69)
Interest expense	60	8
Dividend income	(30)	(32)
Operating cash flow before working capital changes	**7,533**	**687**
Changes in working capital :		
Inventories	(859)	1,006
Trade and other receivables	2,144	2,419
Trade payables	(107)	(383)
Other payables and accruals	(4,263)	144

Cash generated from operations	**4,448**	**3,873**
Income taxes paid	(587)	(56)
Interest paid	(81)	(6)
Interest received	1	14
Net cash generated from operating activities	**3,781**	**3,825**
Cash flows from investing activities		
Property, plant and equipment		
- purchases	(28)	(249)
- proceeds from disposal	386	17
Investments		
- proceeds from disposal	41	-
Repayment of staff loan	2	1
Payment for direct costs of business acquisition	-	(72)
Dividends received :		
- other quoted investments	30	32
Net cash generated from/(used in) investing activities	**431**	**(271)**
Cash flows from financing activities		
Net proceeds from issue of shares	45	98
Repayment of loans	(5,166)	-
Payment under finance lease obligations	(54)	(5)
Interest paid on finance lease obligations	(1)	(1)
Net cash (used in)/generated from financing activities	**(5,176)**	**92**
Net (decrease)/increase in cash and cash equivalents	**(964)**	**3,646**
Cash and cash equivalents at beginning of period	14,226	7,706
Cash and cash equivalents at end of period	**13,262**	**11,352**

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

	GROUP		COMPANY	
	31-10-	31-10-2003	31-10-2004	31-10-
	S$'000	S$'000	S$'000	S$'000
Share capital				
Ordinary shares of S$0.10 each, issued and paid up				
Balance at beginning of period	**30,127**	**30,053**	**30,127**	**30,053**
Issue of new shares	27	63	27	63
Balance at end of period	**30,154**	**30,116**	**30,154**	**30,116**
Share premium				
Balance at beginning of period	**29,146**	**29,107**	**29,146**	**29,107**
Premium arising from Issue of new shares	17	35	17	35
Balance at end of period	**29,163**	**29,142**	**29,163**	**29,142**

Capital reserves				
Balance at beginning and end of period	**(477)**	**3,389**	**1,430**	**2,818**
Foreign currency translation reserves				
Balance at beginning of period	**(507)**	**(513)**	**-**	**-**
Currency translation differences	(75)	6	-	-
Balance at end of period	**(582)**	**(507)**	**-**	**-**
Retained earnings				
Balance at beginning of period	**39,173**	**26,542**	**27,056**	**19,854**
Net profit for the period	5,518	411	6,321	(43)
Dividends paid	-	-	-	-
Balance at end of period	**44,691**	**26,953**	**33,377**	**19,811**
Total shareholder funds	**102,949**	**89,093**	**94,124**	**81,887**

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

During the first financial quarter ended 31 October 2004, the Company issued 276,000 shares of S$ 0.10 per share upon exercise of 198,000 share options at an exercise price of $ 0.177 per share and 78,000 share options at an exercise price of $0.130 per share.

	31.10.2004	31.10.2003
	('000)	('000)
Number of shares that may be issued upon exercising all outstanding options	636	1,664

2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)

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 Group and the Company have adopted the same accounting policies and methods of computation for the current financial period as those applied in the audited financial statements for financial year ended 31 July 2004, except as disclosed in note 8.

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	
	1Q05	1Q04
Earnings per share based on profit attributable to shareholders:		
(a) Basic (in cent)	1.83	0.14
(b) Diluted (in cent)	1.83	0.14

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	
	31.10.200	31.07.04	31.10.200	31.07.04
Net Asset Value per ordinary share (cents)	34.14	32.35	31.21	29.13

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss 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. It must also discuss 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 FIRST FINANCIAL QUARTER ENDED 31 OCTOBER 2004 AND 31 OCTOBER 2003

Turnover and profitability

Turnover

Revenue for the Group rose by 258% from $9.7 million to $34.8 million for the 3 months ended 31 October 2004 (1Q05) compared with the corresponding period of the previous financial year. This increase is partly due to revenue contribution (1Q05:$13.9M vs 1Q04:Nil) from the acquisition of the business of Hoe Seng Huat Hardware Pte Ltd ("the new business" or "Hoe Seng Huat") which was only completed in January 2004.

The higher revenue also resulted from the increased in volume at the company level amidst continuous strong demand and better prices for steel products when compared with the same period last year (1Q05 : $19.7M vs 1Q04:$8.9M).

The inclusion of Hoe Seng Huat and the higher costs of steel products also accounted for the increase in the cost of goods sold for the period compared with the corresponding period.

Better prices fetched during the quarter boosted gross margin to 36% compared with 23% of the corresponding period. Gross profit registered an increase of 461% and rose to $12.6 million from $2.2 million for the quarter ended 31 October 2004.

Other operating income

Other operating income declined 45% to $85k from $155k due to smaller holding of quoted investment for the period ended 31 October 2004 compared with the corresponding period.

Staff costs, depreciation, other operating expenses and finance costs

Staff costs rose 144% to $2.6 million from $1.1 million due mainly to the inclusion of Hoe Seng Huat and provision for various staff costs and profit sharing as a result of the better performance by the Group.

Depreciation expenses were only marginally higher by 2% at $304k compared with the corresponding period despite the inclusion of the new business. This is another saving as a result of the acquisition of the business of Hoe Seng Huat.

Other operating expenses rose 383% to $2.7 million from $563k as a result of higher expenses in line with higher turnover and the inclusion of the new business into the group.

Finance costs were $13k compared to $8k in the corresponding period due to bank loans taken up to finance the acquisition of the new business.

Profitability review

Profit before tax rose to $6.9 million from $432k as a result of higher turnover and better margin.

REVIEW OF FINANCIAL POSITION AS AT 31 OCTOBER 2004 AND 31 JULY 2004

Current assets

Cash and cash equivalents remain at a healthy level at $13.3 million compared to the end of the last financial year. The cash balances will be used to pay dividend and profit sharing before the end of the financial half-year.

Trade and other receivables were lower at $27.8 million compared with $30.0million compared to the end of the financial year ended 31 July 2004 due to collection.

Non current assets

Decrease in property, plant and equipment arose mainly from the disposal of vehicles to the directors during the period.

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 October 2004. No impairment in value was expected as Hoe Seng Huat, from which the goodwill arises, had remained profitable during the period.

Current liabilities

The increase in other payables and accruals to $7.5 million from $5.4 million were due mainly to the accrual of profit sharing as a result of better Group performance.

Borrowings for the period declined from $9.6 million to $2.7 million due to repayment of bank loans and lower balance of trust receipts outstanding.

Non current liabilities

Borrowings were lower due to repayment of bank loan.

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

With the steel prices escalating less rapidly and stabilising for certain products, it provides a much needed breather for end users to resume buying in order to catch up with delays caused by cut back in purchases during earlier periods of rapid price escalation. However, the last quarter of the calendar year is traditionally the quieter months due to the various festivities and holidays and hence Group turnover for the 2nd quarter of FY05 is likely to perform less well than the earlier quarters.

Still, the Group is expected to produce a better set of results for the half year ending 31 January 2005 compared with the corresponding period of the last financial year.

The weak US dollars may benefit the Group in the short term as 80% of its purchases and only 20% of its turnover are denoted in this currency and hence leading to lower inventory cost.

The recent hikes in oil prices may dampen the global economic outlook in the short term but greater oil exploration efforts may compensate for the reduction in demand for steel products in other industrial sectors.

Generally, it is expected that demand for steel products will remain strong with industries like the shipbuilding, oil and gas industries which have strong order books that will continue to generate demand for steel products well into 2005. Established relationships with the various steel mills will help to ensure that the Group remains as the preferred partner, thereby maintaining a consistent supply as the market for steel remains tight.

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

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
15 December 2004