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 *	Tan Cher Liang
Designation *	Company Secretary
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Announcement Details

For the Financial Period Ended *	30-09-2005

HUP SENG HUAT CO. LTD
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.

	GROUP (S$'000)		
	1Q 05/06	1Q 04/05 (restated)	% +/(-)
Revenue	44,522	34,844	28%
Cost of goods sold	(36,682)	(22,275)	65%
Gross profit	7,840	12,569	-38%
Other operating income	232	85	173%
Staff costs	(2,012)	(2,669)	-25%
Depreciation of property, plant and equipment	(322)	(304)	6%
Other operating expenses	(1,036)	(2,721)	-62%
Profit from operations	4,702	6,960	-32%
Finance cost - net	(397)	(13)	2954%
Profit before tax	4,305	6,947	-38%
Income tax expense	(864)	(1,420)	-39%
Total profit	3,441	5,527	-38%
Attributable to:			
Equity holders of the Company	3,441	5,518	-38%
Minority interests	-	9	-100%
	3,441	5,527	-38%
Earnings per share based on profit attributable to equity shareholders:			
- Basic (cent)	1.14	1.83	
- Diluted (cent)	1.14	1.83	

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

	GROUP (S$'000)	
	1Q 05/06	1Q 04/05
Investment income	76	47
Other income including interest income	156	85
Loss on sale of property, plant and equipment	-	(197)
Foreign exchange gain /(loss)	28	(140)
Under provision of tax in in respect of prior years	(81)	-
Interest on borrowings	(502)	(60)
Allowance for trade receivables	(16)	-
Write-back of allowance for trade receivables	25	68
Write-back/(Allowance) for slow and obsolete inventories	422	(129)
Inventories written off	(8)	(2)

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	
	30.09.2005	30.06.2005	30.09.2005	30.06.2005
	$'000	$'000	$'000	$'000
Current Assets				
Cash and cash equivalents	7,417	19,413	4,133	7,443
Trade and other receivables	44,615	55,054	14,216	15,125
Inventories	64,811	67,466	40,650	38,899
Other current assets	442	341	208	84
Due from subsidairies	-	-	38,075	10,400
	117,285	142,274	97,282	71,951
Non Current Assets				
Other receivables	12	26	-	13
Available-for-sale financial assets	11,087	9,465	9,674	8,364
Investment in subsidiaries	-	-	9,489	9,489
Loan to a subsidiary	-	-	-	34,626
Property, plant and equipment	33,798	33,826	8,604	8,625
Goodwill	4,630	4,630	-	-
Deferred tax assets	172	172	139	139
	49,699	48,119	27,906	61,256
Total Assets	**166,984**	**190,393**	**125,188**	**133,207**
Current Liabilities				
Trade and other payables	4,831	2,768	1,593	1,199
Other payables and accruals	5,730	6,054	3,952	4,575
Current tax liabilities	4,270	5,090	3,379	3,880
Borrowings	30,001	58,766	7,819	19,349
Due to subsidiaries - trade	-	-	3	5
	44,832	72,678	16,746	29,008
Non Current Liabilities				
Borrowings	672	1,349	-	-
Provision for directors' retirement gratuity	773	757	773	757
Deferred tax liabilities	112	112	-	-
	1,557	2,218	773	757
Total Liabilities	**46,389**	**74,896**	**17,519**	**29,765**
Net Assets	**120,595**	**115,497**	**107,669**	**103,442**
Share capital and reserves				
Share capital	30,154	30,154	30,154	30,154
Share premium	29,163	29,163	29,163	29,163
Capital reserves	(477)	(477)	1,430	1,430
Foreign currency translation reserve	(505)	(540)	-	-
Fair value reserve	1,622	-	1,310	-
Retained earnings	60,604	57,163	45,612	42,695
Interests of shareholders of the Company	120,561	115,463	107,669	103,442
Minority interests	34	34	-	-
	120,595	**115,497**	**107,669**	**103,442**

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 30.9.2005		As at 30.6.2005	
Secured	Unsecured	Secured	Unsecured
14	29,987	10	58,756

Amount repayable after one year ('000)

As at 30.9.2005		As at 30.6.2005	
Secured	Unsecured	Secured	Unsecured
6	666	16	1,333

Details of any collateral

The secured group borrowings and debt securities refer to 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)	
	1Q 05/06	1Q 04/05
Cash flow from operating activities		
Profit before tax	4,305	6,947
Adjustments for:		
Exchange differences		
Provision for directors' retirement gratuity	16	24
Property, plant and equipment		
- depreciation	322	304
- loss on disposal	-	197
Allowance for/(write-back) of :		
- doubtful trade receivables	16	-
- slow moving inventories	(422)	129
Inventories written off	8	-
Allowance for trade receivables written back	(25)	(68)
Interest income	(59)	(48)
Interest expense	502	60
Dividend income	(30)	(30)
Operating cash flow before working capital changes	4,633	7,515
Changes in working capital:		
Inventories	3,069	(859)
Trade and other receivables	10,240	2,354
Other current assets	148	(210)
Trade payables	2,063	(107)
Other payables and accruals	(227)	2,062
Cash generated from operations	19,926	10,755
Income taxes paid	(1,671)	(587)
Interest paid	(599)	(81)
Interest received	13	1
Net cash generated from operating activities	17,669	10,088
Cash flows from investing activities		
Property, plant and equipment :		
- purchases	(294)	(28)
- proceeds from disposal	-	386
Repayment of staff loans	5	2
Investments		
- proceeds from disposal	-	41
Dividend received		
- other quoted investments	30	30
Net cash (used in)/generated from investing activities	(259)	431
Cash flow from financing activities		
Net proceeds from issue of shares	-	45
Draw down of Bank borrowings	(29,435)	(11,491)
Increase in finance lease obligation	-	-
Payment under finance lease obligations	(6)	(55)
Net cash generated from financing activities	(29,441)	(11,501)
Net exchange differences arising from translation	35	18
Net decrease in cash and cash equivalents	(11,996)	(964)
Cash and cash equivalents at beginning of period	19,413	14,226
Cash and cash equivalents at end of period	7,417	13,262

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	Share Premium	Revaluation Reserves	Translation Reserve	Fair Value Reserve	Retained Profits	Minority Interest	Total
Group	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2005								
- As previously reported	30,154	29,163	(477)	(540)	-	57,163	34	115,497
- Effect of changes in accounting policies adjusted prospectively	-	-	-	-	1,247	-	-	1,247
- Restated	30,154	29,163	(477)	(540)	1,247	57,163	34	116,744
Currency translation differences	-	-	-	35	-	-	-	35
Fair value gains on available-for-sale financial assets	-	-	-	-	375	-	-	375
Net profit for 1st quarter	-	-	-	-	-	3,441	-	3,441
At 30 September 2005	**30,154**	**29,163**	**(477)**	**(505)**	**1,622**	**60,604**	**34**	**120,595**
Group								
At 1 August 2004	30,127	29,146	(477)	(507)	-	39,173	95	97,557
Currency translation differences	-	-	-	(75)	-	-	(4)	(79)
Net profit for 1st quarter	-	-	-	-	-	5,518	9	5,527
Issue of shares	27	17	-	-	-	-	-	44
At 31 October 2004	30,154	29,163	(477)	(582)	-	44,691	100	103,049

	Share Capital	Share Premium	Revaluation Reserves	Translation Reserve	Fair Value Reserve	Retained profits	Total
Company	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2005							
- As previously reported	30,154	29,163	1,430	-	-	42,695	103,442
- Effect of changes in accounting policies adjusted prospectively	-	-	-	-	1,044	-	1,044
- Restated	30,154	29,163	1,430	-	1,044	-	104,486
Fair value gains on available-for-sale financial assets	-	-	-	-	266	-	266
Net profit for 1st quarter	-	-	-	-	-	2,917	2,917
At 30 September 2005	**30,154**	**29,163**	**1,430**	**-**	**1,310**	**45,612**	**107,669**
Company							
At 1 August 2004	30,127	29,146	1,430	-	-	27,056	87,759
Net profit for 1st quarter	-	-	-	-	-	6,321	6,321
Issue of shares	27	17	-	-	-	-	44
At 31 October 2004	30,154	29,163	1,430	-	-	33,377	94,124

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

	30.09.05	30.06.05
	('000)	('000)
Number of shares that may be issued upon exercising all outstanding options	127	127

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

Changes in accounting policies

In 2005, the Group and the Company adopted the Financial Reporting Standards (FRS) below. The 2004 comparatives have been amended where as required, in accordance with the relevant transitional provisions in the respective FRS.

FRS 1 (revised 2004) Presentation of Financial Statements
FRS 2 (revised 2004) Inventories
FRS 8 (revised 2004) Accounting Policies, Changes in Accounting Estimates and Errors
FRS 10 (revised 2004) Events after the Balance Sheet Date
FRS 16 (revised 2004) Property, Plant and Equipment
FRS 17 (revised 2004) Leases
FRS 21 (revised 2004) The Effects of Changes in Foreign Exchange Rates
FRS 24 (revised 2004) Related Party Disclosures
FRS 27 (revised 2004) Consolidated and Separate Financial Statements
FRS 28 (revised 2004) Investments in Associates
FRS 32 (revised 2004) Financial Instruments: Disclosure and Presentation
FRS 33 (revised 2004) Earnings per Share
FRS 36 (revised 2004) Impairment of Assets
FRS 38 (revised 2004) Intangible Assets
FRS 39 (revised 2004) Financial Instruments: Recognition and Measurement
FRS 102 Share-based Payments
FRS 103 Business Combinations
FRS 104 Insurance Contracts
FRS 105 Non-current Assets Held for Sale and Discontinued Operations

The adoption of the above FRS did not result in changes to the Group's and Company's accounting policies except as discussed below:

(a) FRS 27 (revised 2004) requires the Group to present minority interests in the consolidated balance sheet within equity, separately from the shareholders' equity of the Company. The superseded FRS 27 did not require the presentation of minority interests within equity.

(b) FRS 39 (revised 2004) and FRS 32 (revised 2004) have affected:

(i) Classification and consequential accounting of financial assets and financial liabilities

FRS 39 requires all financial assets and liabilities to be classified into appropriate categories at initial recognition and re-evaluates this designation at every reporting date. The classification depends on the purpose for which the financial asset or liabilities were acquired or incurred. The categories and the respective subsequent measurement rules are as follows:

- Loans and receivables

  These include the Group's trade and other receivables and cash and bank balances. They are initially recognised at its fair value plus transaction costs and subsequently accounted for at amortised cost using the effective interest method, less impairment.

  Previously, the Group's trade and other receivables were stated at the gross proceeds receivable less an allowance for doubtful receivable. Cash and bank balances were recognised at cost. Interest-free loans from the Company to its subsidiaries were stated at gross receivables in the Company's balance sheet.

- Available-for-sale financial assets

  These include the Group's investments in equity interest of other companies. They are initially recognised at its fair value subsequently measured at the fair values at the balance sheet date with all gains and losses, other than impairment loss, taken to equity. Impairment losses are taken to the income statement in the period it arises. On disposal, gains and losses previously taken to equity are included in the income statement.

  Previously, such investments of the Group were stated at cost less allowance for diminution in value that was other than temporary, which was charged to income statement when it arose. Any reversal of the allowance was also included in the income statement.

- Other financial liabilities

  These are financial liabilities that are not held for trading nor designated as fair value through profit and loss. These include the Group's trade and other payables and borrowings. They are initially recognised at its fair value less transaction costs and subsequently accounted for at amortised cost using the effective interest method.

  Previously, trade and other payables were stated at cost. Bank borrowings were stated at the proceeds received and transaction costs on borrowings were classified as deferred charges and amortised on a straight-line basis over the period of the borrowings.

The details of adopting FRS 39 are shown in note 1(d)(i).

(ii) Impairment and uncollectibility of financial assets

FRS 39 (revised 2004) requires the Group to assess at each balance sheet date if there is any objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

Impairment of trade receivables is established when there is objective that the Group will not be able to collect all amounts due according to the original terms of receivables. The impairment charge is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The impairment charge is recognised in the income statement.

(c) FRS 102 has resulted in a change in the accounting policy for share-based payments. The Group's Employee Share Option Plan (ESOP) is an equity-settled, share-based compensation plan. FRS 102 requires the Group and the Company to recognise an expense in the income statement with a corresponding increase in equity for share options granted under the ESOP granted after 22 November 2002 and not vested by 1 January 2005. However all existing options of the Group were granted before 22 November 2002 and hence need not be accounted in accordance with FRS 102. Thus the Group and Company will recognise an increase in share capital and share premium when the options are exercised.

(d) The adoption of FRS 103, FRS 36 (revised 2004) and FRS 38 (revised 2004) simultaneously were effected in the last financial year ended 30 June 2005. Under these standards, goodwill can no longer be amortised and charged to the income statement. Instead, such goodwill will be tested for impairment in accordance with FRS 36. Please see note 8 for further comment on the effect on the adoption of FRS 103.

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 30.09.05	3 months ended 31.10.04
Earnings per share based on profit attributable to equity shareholders:		
(a) Basic (cent)	1.14	1.83
(b) Diluted (cent)	1.14	1.83

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	
	30.09.05	30.06.05	30.09.05	30.06.05
Net Asset Value per ordinary share (cents)	39.98	38.30	35.71	34.30

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 30 SEPTMEBER 2005 vs QUARTER ENDED 31 OCTOBER 2004

REVIEW OF RESULTS FOR PERIOD ENDED 30 SEPTEMBER 2005

Turnover

Revenue rose 28% to S$44.5m, compared with 1QFY04/05, underpinned by continued strong demand for steel products, particularly from the energy and shipbuilding sectors. Strong volume growth registered for pipes, fittings, and structural steel products more than offset the 8-10% price decline from the exceptionally high selling prices in 1QFY04/05.

Cost of goods sold rose 65% from S$22.2m in 1QFY04/05 to S$36.7m, due mainly to higher inventory replacement costs for 1QFY05/06. The lower cost of sales for 1QFY04/05 was due to the stocks sold being purchased earlier, before the sharp increase in steel product prices.

As a result, 1QFY05/06's gross margin normalized to a more sustainable 17.6% from the record gross margin of 36.1% in 1QFY04/05.

Staff costs, Depreciation, Other operating expenses and Finance cost

Staff costs declining 25% to $2.0m from $2.7m were due to a lower provision for performance bonus.

Other operating expenses were lower due to a $422,000 writeback of stock provision compared to a provision of $129,000 and better control of expenses arising from the streamlining of Group operations following the acquisition of Hoe Seng Huat Pte Ltd.

The net finance cost of $397,000 was mainly made up of trust receipt interest and unrealised foreign exchange loss incurred in the normal course of business compared to $13,000 in the corresponding period. Trust receipts increased due to higher working capital required to support the rise in trading volume.

Profitability review

Profit after tax was $3.4m compared to $5.5m in the corresponding quarter.

REVIEW OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2005

Non current assets

In accordance with the revised accounting standard FRS 103 on Business Combination, no amortisation of goodwill has been taken up for the period ended 30 September 2005. Management has reviewed the goodwill in accordance with FRS 103 and the revised FRS 36 and concluded that no impairment of goodwill is necessary.

Current assets and current liabilities

Trade and other receivables reduced to $44.6m from $55.1 million as a result of better collection.

Trade payables increased from $2.8m to $4.8 million while other payables and accruals decreased slightly from $6.1m to $5.7m, part of the normal fluctuations during the ordinary course of the business.

Borrowings were mainly made up of trust receipts incurred during the ordinary course of the business. The amount of borrowings had reduced from $58.8m to $30.0m by the end of this current quarter as the trust receipts matured and were paid off.

Non current liabilities

Non current borrowings fell from $1.3m to $0.7m due to the reclassification of the current portion of the bank loan to current liabilities.

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

Underlying demand remains strong. The persistently high oil prices and recent extensive damage suffered by US offshore facilities should continue to drive energy sector activities. In the domestic market, infrastructure projects announced by the government are expected to come onstream in the next 12 months. The construction sector shows signs of a pick-up with several major recent residential project launches.

Construction industry orders for the Group's structural steel products have started picking up since 1QFY05/06. Orders for steel plates have also started to pick up in recent months as shipyards have depleted their excess inventory build-up in 2H04/05.

The exceptional and record gross margin achieved in the last financial year stemmed from rising selling prices and the holding of lower cost inventories. Selling prices and inventory replacement costs have since stabilized, and the gross margin has normalized and is expectd to be sustainable at current levels.

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
Secretary
8 November 2005