

**Turnover by Geographical Locations**

	FY2004 \$'000	FY2003 \$'000	FY2002 \$'000	FY2001 \$'000	FY2000 \$'000
Singapore	62,556	24,341	29,393	17,497	13,177
Malaysia	23,400	20,791	7,486	10,469	15,436
Other South-East Asia countries	14,111	6,469	8,963	7,235	5,293
Other countries	6,917	2,506	2,984	3,201	2,185
	<b>106,984</b>	<b>54,107</b>	<b>48,826</b>	<b>38,402</b>	<b>36,091</b>

**Results of Operation**

Turnover	106,984	54,107	48,826	38,402	37,948
Net profit attributable to shareholders	13,806	1,400	1,910	7,732	1,501
Earning per share (cent)	4.58	0.47	0.64	2.57	0.50
Net asset value per share (cents)	32.38	29.50	29.29	28.88	26.28
Gross dividend per share (cents)	1.50*	0.50	0.50	0.30	0.30

\* Subject to approval by shareholders

**Financial Position**

	FY2004 \$'000	FY2003 \$'000	FY2002 \$'000	FY2001 \$'000	FY2000 \$'000
Property, plant and equipment	34,876	38,493	30,423	23,005	22,973
Other non-current assets	14,271	10,381	21,236	24,180	6,363
Non-current assets	<b>49,147</b>	<b>48,874</b>	<b>51,659</b>	<b>47,185</b>	<b>29,336</b>
Current assets	78,646	45,121	45,357	44,091	55,037
Current liabilities	21,507	4,477	7,858	3,461	4,294
Net current assets	<b>57,139</b>	<b>40,644</b>	<b>37,499</b>	<b>40,630</b>	<b>50,743</b>
Non-current liabilities	8,729	851	1,163	1,079	1,123
Minority Interest	95	89	119	120	118
Net assets	<b>97,462</b>	<b>88,578</b>	<b>87,876</b>	<b>86,616</b>	<b>78,838</b>
Share capital	30,127	30,053	30,038	30,038	30,038
Capital reserves	28,162	31,983	31,525	31,495	31,449
Revenue reserves	39,173	26,542	26,313	25,083	17,351
	<b>97,462</b>	<b>88,578</b>	<b>87,876</b>	<b>86,616</b>	<b>78,838</b>

# 损益表

截至2004年7月31日

	集团		公司	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
收入	<b>106,984</b>	54,107	<b>52,766</b>	46,682
货物销售成本	<b>(73,445)</b>	(42,716)	<b>(34,339)</b>	(39,944)
其他业务收入	<b>679</b>	817	<b>480</b>	732
员工成本	<b>(9,712)</b>	(4,859)	<b>(7,224)</b>	(3,834)
物业、厂房及设备折旧	<b>(1,375)</b>	(479)	<b>(373)</b>	(254)
其他营业费用	<b>(5,046)</b>	(5,671)	<b>(3,833)</b>	(3,097)
特殊项目	<b>(231)</b>	(495)	<b>2,304</b>	962
经营收益	<b>17,854</b>	704	<b>9,781</b>	1,247
财务(成本)/净利	<b>(109)</b>	462	<b>114</b>	457
税前盈利	<b>17,745</b>	1,166	<b>9,895</b>	1,704
税务	<b>(3,932)</b>	208	<b>(1,518)</b>	(293)
未计算少数股东权益的一般业务收益	<b>13,813</b>	1,374	<b>8,377</b>	1,411
少数股东权益	<b>(7)</b>	26	<b>-</b>	-
股东应占净利	<b>13,806</b>	1,400	<b>8,377</b>	1,411
每股基本盈利	<b>4.58 cents</b>	0.47 cent		
每股摊薄盈利	<b>4.58 cents</b>	0.47 cent		

# 资产负债表

截至2004年7月31日

	集团		公司	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>流动资产</b>				
现金及现金等值结存	14,226	7,706	2,992	6,470
贸易及其他应收款	30,014	12,711	13,614	8,318
存货	34,133	19,994	21,968	17,353
其他流动资产	273	4,710	87	4,627
来自子公司的欠款	-	-	5,006	5,931
	<b>78,646</b>	45,121	<b>43,667</b>	42,699
<b>非流动资产</b>				
其他应收款	20	27	-	-
投资	9,490	9,724	16,677	16,242
给予子公司的贷款	-	-	30,650	16,077
物业、厂房及设备	34,876	38,493	9,116	10,530
商誉	4,630	-	-	-
递延税项资产	131	630	105	101
	<b>49,147</b>	48,874	<b>56,548</b>	42,950
<b>资产总额</b>	<b>127,793</b>	93,995	<b>100,215</b>	85,649
<b>流动负债</b>				
应付贸易帐款	3,482	1,279	715	1,029
其他应付帐项及应计费用	5,405	2,014	4,490	1,038
流动税项负债	3,002	23	1,262	-
贷款	9,618	1,161	5,299	1,090
欠子公司款项 - 贸易	-	-	6	2
	<b>21,507</b>	4,477	<b>11,772</b>	3,159
<b>非流动负债</b>				
贷款	7,857	48	-	48
为董事退休金所拨出的准备金	684	610	684	610
递延税项负债	188	193	-	-
	<b>8,729</b>	851	<b>684</b>	658
<b>负债总额</b>	<b>30,236</b>	5,328	<b>12,456</b>	3,817
<b>净资产</b>	<b>97,557</b>	88,667	<b>87,759</b>	81,832
<b>股本与储备</b>				
股本	30,127	30,053	30,127	30,053
股份溢价	29,146	29,107	29,146	29,107
资本储备	(477)	3,389	1,430	2,818
外汇兑换储备	(507)	(513)	-	-
保留收益	39,173	26,542	27,056	19,854
<b>公司股东权益</b>	<b>97,462</b>	88,578	<b>87,759</b>	81,832
少数股东权益	95	89	-	-
	<b>97,557</b>	88,667	<b>87,759</b>	81,832

## CORPORATE GOVERNANCE

The Board of Directors of the Group is committed to maintaining the highest standards of Corporate Governance and fully appreciates the Best Practice Guide issued by the Singapore Exchange Securities Trading Limited (“SGX-ST”). This statement highlights the Corporate Governance practices established by the Group.

### **BOARD MATTERS**

#### **Principle 1 : The Board’s Conduct of its Affairs**

The principal functions of the Board are to establish the corporate and strategic business policies of the Group and to monitor its performance. Matters which are specifically reserved for the Board include acquisition and disposal proposals, strategic business initiatives, approving nominations of directors and appointment of key executives, approval for the release of half yearly and full year results, approval of annual audited accounts for the Group and the Directors’ Report thereto and other significant corporate actions.

Additionally, the Board delegates and entrusts certain of its functions and powers to Board Committees such as Executive Committee (“EC”), Audit Committee (“AC”), Remuneration Committee (“RC”), Nominating Committee (“NC”) and Integration Committee.

The EC comprises of Dr Lim Kim Hock (Chairman), Mr Lim Kim Thor, Mr Lim Boh Chuan, Mr Lim Yee Kim and Mr Lim Beo Peng.

The EC is established principally to assist the Board in making decisions expeditiously and is mainly responsible for planning and strategy, Group policy review, attending to urgent and important business or business of an unusual and extraordinary nature, and any other functions delegated by the Board.

The Board comprises of members with strong business credentials, industry knowledge and from various professions such as banking, IT and the legal profession.

The Management regularly furnishes the Board with updates concerning the changes in laws, regulations or accounting standards where they may be applicable and relevant in enabling the Board to carry out its duties and responsibilities properly.

Newly appointed directors are given briefings by the Management on the business activities of the Group and its strategic directions.

The Board is scheduled to meet at least four times a year and where necessary, hold additional meetings to address significant issues that may arise. The attendance of the directors at Board meetings and Board committees are as follow.

	Board Meeting		Executive Committee		Audit Committee		Nominating Committee		Remuneration Committee		Integration Committee	
	Held	Attend	Held	Attend	Held	Attend	Held	Attend	Held	Attend	Held	Attend
Lim Kim Hock	4	4	9	9	–	–	–	–	5	3	2	2
Lim Kim Thor	4	4	9	9	–	–	–	–	5	4	2	2
Lim Boh Chuan	4	4	9	9	–	–	–	–	–	–	2	2
Lim Yee Kim <sup>(1)</sup>	4	4	9	6	–	–	–	–	–	–	–	–
Lim Eng Chong <sup>(2)</sup>	4	3	–	–	–	–	3	3	–	–	–	–
Lim Puay Koon	4	4	–	–	4	3	–	–	–	–	–	–
Lim Beo Peng <sup>(3)</sup>	4	4	9	7	–	–	–	–	–	–	2	2
Tang See Chim	4	4	–	–	4	4	3	3	5	5	–	–
Lim Teck Hui	4	4	–	–	4	3	3	3	5	5	–	–
Chua Hoo Tai	4	4	–	–	4	4	–	–	5	5	2	2
Ong Kian Min <sup>(4)</sup>	3	3	–	–	–	–	–	–	–	–	–	–

<sup>(1)</sup> Mr Lim Yee Kim was appointed to the Executive Committee on 19 March 2004.

<sup>(2)</sup> Mr Lim Eng Chong was appointed to the Remuneration Committee on 14 July 2004.

<sup>(3)</sup> Mr Lim Beo Peng was appointed to the Executive Committee on 19 March 2004.

<sup>(4)</sup> Mr Ong Kian Min was appointed as a director on 30 December 2003 and to the Remuneration Committee on 14 July 2004.

## Principle 2 : Board's Composition and Balance

The Board of Directors comprises 11 directors, 4 of whom are independent and 2 of whom are non independent and non-executive. The NC reviews the independence of each director annually. All directors, except the Executive Chairman, are subject to retirement by rotation and re-election at least once in every 3 years. Directors who have attained the age of 70 and above are subject to annual retirement and re-appointment in accordance with Section 153(6) of the Companies Act, Cap. 50. Key information about the directors is detailed in the “Board of Directors” section.

## Principle 3 : Role of Chairman and Chief Executive Officer

The Chairman and the Chief Executive Officer (“CEO”) of the Group are Dr Lim Kim Hock and Mr Lim Kim Thor respectively. Dr Lim Kim Hock is the elder brother of Mr Lim Kim Thor.

The Chairman is responsible for board proceedings in the best interests of the Group. The Chairman ensures that the Board members work together with the Management and that the Board engages Management in constructive discussions on various matters, including strategic issues and business planning processes.

The CEO bears executive responsibility for the Group's business. The CEO oversees the daily running of the Group's operations and is responsible to execute strategies and policies adopted by the Board.

## CORPORATE GOVERNANCE

### Principle 4 : Board membership

The NC is made up of members whom are all non-executive and the majority of whom are independent. The NC ensures that appointment and re-election of directors is formal and transparent. All directors to be appointed or re-elected are recommended by the NC before submission for Board approval. The NC also determines annually whether or not a director is independent.

### Principle 5 : Board Performance

The NC assesses the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board on an annual basis.

In its assessment of the Board effectiveness, the NC takes into consideration the frequency of the Board meetings, the rate at which issues raised are adequately dealt with and the reports from the various committees. In the like manner, the NC is able to assess the contribution of each individual director to the effectiveness of the Board.

### Principle 6 : Access to Information

The Board has separate and independent access to the Management. Requests for information from the Board are dealt with promptly. The Board is informed of all material events and transactions as and when they occur.

The company secretary attends all board meetings and is responsible for ensuring that board procedures are followed.

## REMUNERATION MATTERS

### Principle 7 : Procedures for Developing Remuneration Policies

### Principle 8 : Level and Mix of Remuneration

### Principle 9 : Disclosure on Remuneration

The RC comprises of 7 directors, of which 4 are independent, 1 non executive and 2 executive. The RC recommends a framework of remuneration for key executives and to determine specific remuneration packages for all the executive directors. The RC is also responsible for administering the Company's Employee Stock Options Scheme. The RC is chaired by an independent non-executive director and the committee has access to expert advice inside and outside the Company for knowledge on executive compensation.

The RC's recommendations are made in consultation with the Chairman of the Board and are submitted for endorsement by the entire Board. The RC takes into account the pay and employment conditions within the industry and in comparable companies, as well as the Company's relative performance and the performance of the individual directors when setting remuneration packages so as to attract, retain and motivate the directors needed to run the Company successfully. All aspects of the remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, profit sharing incentives, and benefits in kind are covered in the review by the RC. A proportion of the executive directors' remuneration is linked to performance.

## Remuneration Report

Name of director	Base Salary (%)	Variable Payments (%)	Other Benefits (%)	Fees (%)	Total (%)	Total Share Options Granted
<b>\$500,000 and above</b>						
Lim Kim Hock	11.9	85.4	0.9	1.8	100	–
Lim Kim Thor	21.2	70.0	6.6	2.2	100	–
Lim Boh Chuan	26.8	61.2	9.6	2.4	100	–
Lim Yee Kim	31.6	56.4	9.6	2.4	100	–
<b>Below \$250,000</b>						
Lim Beo Peng	69.4	5.8	9.6	15.2	100	100,000
Lim Eng Chong	–	–	–	100	100	–
Lim Puay Koon	–	–	–	100	100	–
Tang See Chim	–	–	–	100	100	–
Lim Teck Hui	–	–	–	100	100	–
Chua Hoo Tai	–	–	–	100	100	–
Ong Kian Min	–	–	–	100	100	–

The Group adopts a remuneration policy for staff comprising a fixed component and a variable component. The fixed component is in the form of a base salary. The variable component is in the form of a variable bonus that is linked to the performance of the Group and of the individual staff. Staff appraisals are conducted once a year. The Hup Seng Huat Employees' Share Option Scheme is another element of the variable component to align the interests of staff with that of the shareholders. Details of options granted can be found in the Directors' Report.

The Board is of the view that disclosure of the remuneration of key management staff who are not directors will be detrimental to the Group's interest because of the very competitive nature of the industry the Group operates in.

There is no employee in the Group, being an immediate family member of a director, whose remuneration exceeded S\$150,000 during the year.

## ACCOUNTABILITY AND AUDIT

### Principle 10 : Accountability

The Board accounts to the shareholders through providing timely information relating to the financials and operations of the Group as well as any issues faced by the Group regularly and as and when required through announcement releases to the SGX-ST.

## CORPORATE GOVERNANCE

### Principle 11 : Audit Committee

#### Principle 12 : Internal Controls

The AC comprises 4 directors of whom 3 are independent and 1 non executive and all members have accounting or financial management expertise. Details of the functions and responsibilities of the AC are found in the Directors' Report.

The AC has full access to and co-operation from Management and it meets external and internal auditors without the presence of the Company's Management.

With the assistance of the external and internal auditors, the AC conducts annual review of all material internal controls. The AC is satisfied that the Company's material internal controls are adequate.

The AC confirmed that it has undertaken a review of all non-audit services provided by the external auditors and is satisfied that such services would not, in the AC's opinion, affect the independence of the auditors.

#### Principle 13 : Internal Audit

The Group has outsourced the internal audit functions to Messrs Ernst & Young. The Internal Auditors undertake the following functions and responsibilities in line with the Standards for the Professional Practice of Internal Auditing:

- review the effectiveness of the Company's material internal controls;
- provide assurance that key business and operational risks are identified and managed;
- ensure internal controls are in place and functioning as intended; and
- ensure operations are conducted in an effective and efficient manner.

The Internal Auditors report directly to the Chairman of the Audit Committee and make recommendations on their findings.

## COMMUNICATION WITH SHAREHOLDERS

### Principle 14 : Regular, effective and fair communication with shareholders

The Board strives to ensure that all material information is disclosed to the shareholders in an adequate and timely basis. The Board informs and communicates with shareholders through annual reports, announcement releases through SGX-ST, advertisement of notice of meetings and at General Meetings.

### Principle 15 : Greater shareholder participation

Chairmen of the EC, AC, NC and RC, or members of the respective committees standing in for them, as well as external auditors will be present and available to address questions at General Meetings.

## SECURITIES TRANSACTIONS

The Company has clear policies and guidelines for dealings in the securities of the Company by Directors and employees which are in conformity with the SGX-ST Best Practices Guide.

## INTERESTED PERSON TRANSACTIONS

The Company monitors all its interested person transactions closely and all interested person transactions are subject to review by the Audit Committee.

The aggregate value of interested person transactions entered into during the year were as follows:-

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Hoe Seng Huat Hardware Company (Private) Limited - Sale of goods	179,000	-
Hoe Seng Huat Hardware Company (Private) Limited - acquisition of assets and business	-	6,299,000 <sup>(1)</sup>

<sup>(1)</sup> : This amount represents the final payment for the acquisition of the assets and business of Hoe Seng Huat Hardware Company (Private) Limited. The total consideration for the acquisition was \$11,260,000. Further details are disclosed under the section of Material Contracts below.

## MATERIAL CONTRACTS

On 23 June 2003, the directors announced that Hup Seng Huat Co Ltd ('the Company') had entered into the Sale and Purchase Agreement to acquire the Business and Assets of Hoe Seng Huat Hardware Company (Private) Limited ("Hoe Seng Huat Hardware"). The shareholders approved the acquisition at the Extraordinary General Meeting held on 24 November 2003.

Messrs Lim Kim Hock, Lim Kim Thor, Lim Eng Chong, Lim Boh Chuan, Lim Puay Koon, Lim Pit Hong (deceased) and Lim Beo Peng are shareholders of Hoe Seng Huat Hardware and also Directors of the Company ("Interested Directors"). The Interested Directors, with the exception of Mr Lim Beo Peng, are also Controlling Shareholders of the Company (as defined in the SGX-ST Listing Manual) through their direct interests and deemed interests. Accordingly, the Proposed Acquisition would constitute an Interested Person Transaction for the purposes of, and would be subject to, the provisions of Chapter 9 of the SGX-ST Listing Manual. This information had been disclosed in the various earlier announcements made, circular to shareholders and annual report for financial year ended 31 July 2003. The acquisition was completed on the 2 January 2004.

For the financial year ended 31 July 2004, no material contract has been entered into between the Company and its subsidiaries with any of its directors or controlling shareholders.

## RISK MANAGEMENT

### **Fluctuation in industrial hardware product prices**

As a stockist, the Group has to stock a wide range of steel pipes and other accessories to cater to the needs of its customers. The Group currently sources its pipes and fittings from global steel hardware manufacturers. Prices of these steel products are subject to international price fluctuations of steel. Any significant fluctuation in the price of steel will affect the Group's cost of purchase and bottom line.

The Group, with more than 50 years of knowledge and expertise gained in this line of business, is able to make appropriate adjustments to its supplier choice, timing of purchase and shipment, contracting arrangement with its customers, and hedging policies to address price fluctuation risk.

### **Risks of political instability or economic downturn in the countries to which the Group exports**

In FY2004, exports accounted for 58% of the Group's revenue compared to 55% in FY2003. The major countries to which the Group currently exports to are mainly Asian countries such as Malaysia, Thailand and Indonesia. As such, any political instability or economic downturn in these countries will adversely affect the sales and hence profitability of the Group.

The Group recognised the importance of market diversification and its ongoing strategy is to entrench its current market position in ASEAN markets and to further expand beyond its existing geographical coverage.

### **Exposure to credit risk**

The Group is exposed to credit risk of its customers. From time to time, in the ordinary course of business, certain customers may default on their payment. Such events may arise due to the inherent risk from its customers' business, risk pertaining to the political, economic, social and legal environment of its customers' jurisdiction and foreign exchange risk. However, the Group regularly reviews its exposure by way of monthly management reports, market feedbacks, performing checks on customers' financial status and executes necessary payment recovery measures to minimise its credit risk.

The Group performs credit check and approval before granting credit to customers and all credit accounts are subject to regular review. The Group imposes a credit limit and a credit term on each customer. Significant credit exceptions are brought to the attention of the Executive Directors.

In addition, the Group is not dependant on any single customer or any single country. The Group has more than 1,000 customers based in more than 15 countries. Hence, the Group is not exposed to significant credit risk posed by any single customer.

### **Foreign exchange exposure**

The purchases of the Group are mainly denominated in US\$ and its sales are mainly denominated in S\$. The Group is exposed to fluctuations in foreign exchange rates particularly as its sales and purchases are denominated in different currencies. For FY2004, approximately 85% of its total purchases were made in US\$, whilst approximately 77% of its total sales were denominated in S\$, 16% in US\$ and 7% in Malaysia Ringgit ("MR"), which is pegged to US\$. Hence, the Group may be exposed to any significant fluctuation of the US\$.

The Group monitors the US\$ exchange rates closely and will enter into forward contracts on a case-by-case basis to reduce its exposure. The Group also holds some US\$ deposits from customer collections as a form of natural hedge.

# FINANCIAL STATEMENTS

For the financial year ended 31 July 2004

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# DIRECTORS' REPORT

For the financial year ended 31 July 2004

The directors present their report to the members together with the audited financial statements of the Company and the Group for the financial year ended 31 July 2004.

## Directors

The directors of the Company in office at the date of this report are :

Dr Lim Kim Hock  
 Mr Lim Kim Thor  
 Mr Lim Boh Chuan  
 Mr Lim Yee Kim  
 Mr Lim Eng Chong  
 Dr Lim Puay Koon  
 Mr Lim Beo Peng  
 Mr Tang See Chim  
 Mr Lim Teck Hui  
 Mr Chua Hoo Tai  
 Mr Ong Kian Min (appointed 30 December 2003)

## Arrangements to enable directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of an acquisition of shares in, or debentures of, the Company or any other body corporate other than as disclosed under "Share Options" on pages 25 and 26.

## Directors' interests in shares or debentures

(a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the share capital of the Company and related corporations, except as follows :

	Holdings registered in the name of director		Holdings in which a director is deemed to have an interest	
	At 31.07.2004	At 1.08.2003	At 31.07.2004	At 1.08.2003
<b>THE COMPANY</b>				
<u>(Ordinary shares of S\$ 0.10 each)</u>				
Lim Kim Hock	15,135,600	15,135,600	79,608,000	79,608,000
Lim Kim Thor	16,300,800	16,300,800	79,728,000	79,728,000
Lim Boh Chuan	19,306,800	19,306,800	79,608,000	79,608,000
Lim Yee Kim	15,569,200	15,569,200	81,308,000	81,308,000
Lim Eng Chong	10,098,000	10,098,000	79,608,000	79,608,000
Lim Puay Koon	19,308,000	19,308,000	79,608,000	79,608,000
Lim Beo Peng	4,552,000	4,552,000	—	—

**Directors' interests in shares or debentures** (continued)

	Holdings registered in the name of director		Holdings in which a director is deemed to have an interest	
	<u>At 31.07.2004</u>	<u>At 1.08.2003</u>	<u>At 31.07.2004</u>	<u>At 1.08.2003</u>
<b>SUBSIDIARY</b>				
<b>Deluxe Attempt Sdn Bhd</b>				
<u>(Ordinary shares of RM 1.00 each)</u>				
Lim Kim Thor	45,000	45,000	110,000	110,000
Lim Boh Chuan	45,000	45,000	110,000	110,000
Lim Yee Kim	–	–	110,000	110,000
Lim Kim Hock	–	–	110,000	110,000
Lim Eng Chong	–	–	110,000	110,000
Lim Puay Koon	–	–	110,000	110,000

- (b) According to the register of directors' shareholdings, Mr Lim Beo Peng, a director holding office at 31 July 2004 had interests in the options to subscribe for ordinary shares of the Company granted pursuant to the Hup Seng Huat Employees' Share Option Scheme as set out below :

	Number of unissued ordinary shares of \$0.10 each under option held by director	
	<u>At 31.07.2004</u>	<u>At 1.08.2003</u>
Lim Beo Peng	100,000	200,000

- (c) By virtue of section 7 of the Singapore Companies Act, all directors, except Mr Tang See Chim, Mr Lim Teck Hui, Mr Chua Hoo Tai, Mr Ong Kian Min and Mr Lim Beo Peng, are deemed to have interests in all the ordinary shares of the wholly-owned subsidiaries held by the Group at the beginning and end of the financial year.
- (d) The directors' interests in the shares of the Company and of related corporations as at 21 August 2004 were the same as at 31 July 2004.

**Directors' contractual benefits**

Since the end of the previous financial year, no directors have received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a Company in which he has a substantial financial interest, except as disclosed in the financial statements.

**Share options**

The Hup Seng Huat Employees' Share Option Scheme ("the Option Scheme") was approved by the members of the Company at an Extraordinary General Meeting held on 24 April 1996. Details of options granted previously under the Option Scheme have been disclosed in the Directors' Report for the respective financial years.

The Option Scheme is administered by the Remuneration Committee. Details of the Remuneration Committee can be found in the Corporate Governance Report.

## DIRECTORS' REPORT

For the financial year ended 31 July 2004

### Share options (continued)

During the financial year, 742,000 ordinary shares of \$0.10 per share were issued upon the exercise of 386,000 share options at \$0.13 per share and 356,000 share options at \$0.177 per share.

No options have been granted to controlling shareholders of the Company and their associates. No employee has received 5% or more of the total number of options available under the Option Scheme. No options were granted at a discount during the financial year.

Aggregate options granted to a director of the Company under the Option Scheme since the commencement of the Option Scheme to the end of financial year are as follow :

<u>Name of director</u>	<u>Aggregate options granted since commencement of scheme to 31.07.2004</u>	<u>Aggregate options exercised since commencement of scheme to 31.07.2004</u>	<u>Aggregate options expired since commencement of scheme to 31.07.2004</u>	<u>Aggregate options outstanding at 31.07.2004</u>
Mr Lim Beo Peng	238,000	(50,000)	(88,000)	100,000

At the end of the financial year, outstanding options to take up unissued shares of the Company under the Option Scheme were as follow:

<u>Date of grant</u>	<u>Balance at beginning of financial year (or date of grant if later)</u>	<u>Exercised during financial year</u>	<u>Expired/ cancelled</u>	<u>Balance at end of financial year</u>	<u>Exercise price</u>	<u>Expiry date</u>
21 May 1999	601,000	–	(601,000)	–	\$0.3030	20 May 2004
26 November 1999	512,000	–	(5,000)	507,000	\$0.3800	25 November 2004
17 November 2000	638,000	(356,000)	(7,000)	275,000	\$0.1770	16 November 2005
17 November 2001	546,000	(386,000)	–	160,000	\$0.1300	16 November 2006
	<u>2,297,000</u>	<u>(742,000)</u>	<u>(613,000)</u>	<u>942,000</u>		

The terms of the Option Scheme are as follow:

- The share options granted may be exercised at any time after the first anniversary but before the expiry of the fifth anniversary of the date of grant.
- The shares under the Option Scheme may be exercised in full or in respect of 1,000 shares or a multiple thereof.
- The grantee may exercise the option by submitting to the Company a notice in the prescribed form accompanied by a remittance for the full amount of the aggregate exercise price in respect of the shares which have been exercised under the option.
- The persons to whom the options have been granted under the Option Scheme do not have the right to participate, by virtue of the options, in any share issue of any other Company in the Group.

During the financial year, no options were granted to take up unissued shares of the subsidiaries and no shares of the subsidiaries were issued by virtue of the exercise of an option to take up unissued shares.

At the end of the financial year, there were no unissued shares of the subsidiaries under option.

### **Audit Committee**

The Audit Committee comprises four members, all of whom are non-executive directors (three independent). The members of the Audit Committee at the date of this report are:

Mr Tang See Chim - Independent (Chairman)  
 Mr Lim Teck Hui - Independent  
 Mr Chua Hoo Tai - Independent  
 Dr Lim Puay Koon - Non-Executive

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act. The committee:

- (i) reviews with the external auditors, their audit plan, evaluation of the internal accounting controls, audit report and any matters which the external auditors wish to discuss, without the presence of management;
- (ii) reviews with the internal auditors, their audit plan, evaluation of the internal accounting controls, audit report and any matters which the internal auditors wish to discuss, without the presence of management;
- (iii) reviews the half yearly and annual financial statements of the Company and the Group;
- (iv) makes recommendations to the Board on the appointment of external and internal auditors and on their remunerations;
- (v) reviews the Interested Person Transactions as defined in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited (SGX-ST) as is required by SGX-ST and ensures that the transactions were on normal commercial terms and not prejudicial to the interests of the members of the Company;

The Audit Committee held 4 meetings during the financial year.

The Audit Committee has nominated PricewaterhouseCoopers for reappointment as auditors of the Company at the forthcoming Annual General meeting.

### **Auditors**

The auditors, PricewaterhouseCoopers, have expressed their willingness to accept re-appointment.

On behalf of the directors

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Dr Lim Kim Hock  
 Director

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Lim Kim Thor  
 Director

12 October 2004

## STATEMENT BY DIRECTORS

For the financial year ended 31 July 2004

In the opinion of the directors, the financial statements set out on pages 30 to 65 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group at 31 July 2004 and the results of the business, and the changes in equity, of the Company and of the Group and the cash flows of the Group for the financial year then ended, and at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the directors

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Dr Lim Kim Hock  
Director

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Lim Kim Thor  
Director

12 October 2004

## Auditors' Report to the Members of Hup Seng Huat Co. Ltd

We have audited the financial statements of Hup Seng Huat Co. Ltd and the consolidated financial statements of the Group for the financial year ended 31 July 2004 set out on pages 30 to 65. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform our audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the accompanying financial statements of the Company and consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Companies Act, Cap 50 ("the Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 July 2004 and the results, changes in equity of the Company and of the Group and cash flows of the Group for the financial year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

PricewaterhouseCoopers  
Certified Public Accountants

Singapore, 12 October 2004

# INCOME STATEMENTS

For the financial year ended 31 July 2004

	NOTES	GROUP		COMPANY	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Revenue	3	<b>106,984</b>	54,107	<b>52,766</b>	46,682
Cost of goods sold		<b>(73,445)</b>	(42,716)	<b>(34,339)</b>	(39,944)
Other operating income	4	<b>679</b>	817	<b>480</b>	732
Staff costs	5	<b>(9,712)</b>	(4,859)	<b>(7,224)</b>	(3,834)
Depreciation of property, plant and equipment	19	<b>(1,375)</b>	(479)	<b>(373)</b>	(254)
Other operating expenses		<b>(5,046)</b>	(5,671)	<b>(3,833)</b>	(3,097)
Exceptional items	6	<b>(231)</b>	(495)	<b>2,304</b>	962
Profit from operations	7	<b>17,854</b>	704	<b>9,781</b>	1,247
Finance (cost)/income - net	8	<b>(109)</b>	462	<b>114</b>	457
Profit before tax		<b>17,745</b>	1,166	<b>9,895</b>	1,704
Tax	9a	<b>(3,932)</b>	208	<b>(1,518)</b>	(293)
Profit from ordinary activities before minority interests		<b>13,813</b>	1,374	<b>8,377</b>	1,411
Minority interest		<b>(7)</b>	26	<b>-</b>	-
Net profit attributable to shareholders		<b>13,806</b>	1,400	<b>8,377</b>	1,411
Basic earnings per ordinary share	10	<b>4.58 cents</b>	0.47 cent		
Diluted earnings per ordinary share	10	<b>4.58 cents</b>	0.47 cent		

The accompanying notes form an integral part of these financial statements.

Auditors' report - page 29

# BALANCE SHEETS

For the financial year ended 31 July 2004

	NOTES	GROUP		COMPANY	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>Current assets</b>					
Cash and cash equivalents	11	14,226	7,706	2,992	6,470
Trade and other receivables	12	30,014	12,711	13,614	8,318
Inventories	13	34,133	19,994	21,968	17,353
Other current assets	14	273	4,710	87	4,627
Due from subsidiaries	15	–	–	5,006	5,931
		<b>78,646</b>	45,121	<b>43,667</b>	42,699
<b>Non-current assets</b>					
Other receivables	16	20	27	–	–
Investments	17	9,490	9,724	16,677	16,242
Loan to a subsidiary	18	–	–	30,650	16,077
Property, plant and equipment	19	34,876	38,493	9,116	10,530
Goodwill	20	4,630	–	–	–
Deferred tax assets	25	131	630	105	101
		<b>49,147</b>	48,874	<b>56,548</b>	42,950
<b>Total assets</b>		<b>127,793</b>	93,995	<b>100,215</b>	85,649
<b>Current liabilities</b>					
Trade payables		3,482	1,279	715	1,029
Other payables and accruals	21	5,405	2,014	4,490	1,038
Current tax liabilities	9b	3,002	23	1,262	–
Borrowings	22	9,618	1,161	5,299	1,090
Due to subsidiaries - trade		–	–	6	2
		<b>21,507</b>	4,477	<b>11,772</b>	3,159
<b>Non-current liabilities</b>					
Borrowings	22	7,857	48	–	48
Provision for directors' retirement gratuity	24	684	610	684	610
Deferred tax liabilities	25	188	193	–	–
		<b>8,729</b>	851	<b>684</b>	658
<b>Total liabilities</b>		<b>30,236</b>	5,328	<b>12,456</b>	3,817
<b>Net assets</b>		<b>97,557</b>	88,667	<b>87,759</b>	81,832
<b>Share capital and reserves</b>					
Share capital	26	30,127	30,053	30,127	30,053
Share premium		29,146	29,107	29,146	29,107
Capital reserves	27	(477)	3,389	1,430	2,818
Foreign currency translation reserve		(507)	(513)	–	–
Retained earnings		39,173	26,542	27,056	19,854
<b>Interests of shareholders of the Company</b>		<b>97,462</b>	88,578	<b>87,759</b>	81,832
Minority interests		95	89	–	–
		<b>97,557</b>	88,667	<b>87,759</b>	81,832

The accompanying notes form an integral part of these financial statements.

Auditors' report - page 29

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 July 2004

	Share capital	Share premium	Capital reserves	Foreign currency translation reserves	Retained earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 August 2003</b>	30,053	29,107	3,389	(513)	26,542	88,578
Currency translation differences	–	–	–	6	–	6
Impairment charge on property, plant and equipment (Note 27)	–	–	(3,866)	–	–	(3,866)
Net (loss)/gain not recognised in income statement	–	–	(3,866)	6	–	(3,860)
Net profit for the financial year	–	–	–	–	13,806	13,806
<b>Total recognised losses and gains for the financial year</b>	<b>–</b>	<b>–</b>	<b>(3,866)</b>	<b>6</b>	<b>13,806</b>	<b>9,946</b>
Issue of shares (Note 26)	74	39	–	–	–	113
Dividend (Note 28)	–	–	–	–	(1,175)	(1,175)
<b>Balance at 31 July 2004</b>	<b>30,127</b>	<b>29,146</b>	<b>(477)</b>	<b>(507)</b>	<b>39,173</b>	<b>97,462</b>
<b>Balance at 1 August 2002</b>	30,038	29,103	3,389	(967)	26,313	87,876
Currency translation differences	–	–	–	454	–	454
Net profit for the financial year	–	–	–	–	1,400	1,400
<b>Total recognised gains for the financial year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>454</b>	<b>1,400</b>	<b>1,854</b>
Issue of shares (Note 26)	15	4	–	–	–	19
Dividend (Note 28)	–	–	–	–	(1,171)	(1,171)
<b>Balance at 31 July 2003</b>	<b>30,053</b>	<b>29,107</b>	<b>3,389</b>	<b>(513)</b>	<b>26,542</b>	<b>88,578</b>

The accompanying notes form an integral part of these financial statements.

Auditors' report - page 29

## STATEMENT OF CHANGES IN EQUITY - COMPANY

For the financial year ended 31 July 2004

	Share capital \$'000	Share premium \$'000	Capital reserves \$'000	Foreign currency translation reserves \$'000	Retained earnings \$'000	Total \$'000
<b>Balance at 1 August 2003</b>	30,053	29,107	2,818	–	19,854	81,832
Impairment charge on property, plant and equipment (Note 27)	–	–	(1,388)	–	–	(1,388)
Net loss not recognised in income statement	–	–	(1,388)	–	–	(1,388)
Net profit for the financial year	–	–	–	–	8,377	8,377
<b>Total recognised losses and gains for the financial year</b>	<b>–</b>	<b>–</b>	<b>(1,388)</b>	<b>–</b>	<b>8,377</b>	<b>6,989</b>
Issue of shares (Note 26)	74	39	–	–	–	113
Dividend (Note 28)	–	–	–	–	(1,175)	(1,175)
<b>Balance at 31 July 2004</b>	<b>30,127</b>	<b>29,146</b>	<b>1,430</b>	<b>–</b>	<b>27,056</b>	<b>87,759</b>
<b>Balance at 1 August 2002</b>	30,038	29,103	2,818	(454)	19,614	81,119
Currency translation differences	–	–	–	454	–	454
Net profit for the financial year	–	–	–	–	1,411	1,411
<b>Total recognised gains for the financial year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>454</b>	<b>1,411</b>	<b>1,865</b>
Issue of shares (Note 26)	15	4	–	–	–	19
Dividend (Note 28)	–	–	–	–	(1,171)	(1,171)
<b>Balance at 31 July 2003</b>	<b>30,053</b>	<b>29,107</b>	<b>2,818</b>	<b>–</b>	<b>19,854</b>	<b>81,832</b>

The accompanying notes form an integral part of these financial statements.  
Auditors' report - page 29

# CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 July 2004

	Notes	2004 \$'000	2003 \$'000
<b>Cash flows from operating activities</b>			
Profit before tax		17,745	1,166
Adjustments for:			
Provision for directors' retirement gratuity		74	61
Goodwill amortisation		331	–
Property, plant and equipment			
- depreciation		1,375	479
- written off		–	42
- profit on disposal		(17)	(11)
Investments			
- profit on disposal		–	(301)
- diminution in value		231	–
Exchange loss arising from conversion of foreign currency holdings		–	454
Allowances			
- doubtful receivables		321	437
- slow moving inventories		106	482
Inventories written off		279	1,749
Write back of doubtful receivables		(139)	(11)
Bad trade receivables written off		26	7
Interest income		(229)	(597)
Interest expense		338	135
Dividend income		(370)	(320)
Operating cash flow before working capital changes		<b>20,071</b>	3,772
<b>Changes in working capital:</b>			
Inventories		1,532	(49)
Trade and other receivables		(17,856)	2,526
Trade payables		(1,105)	15
Other payables and accruals		3,187	(1,444)
Due to an associated company - trade		–	(355)
Other current assets		48	395
<b>Cash generated from operations</b>		<b>5,877</b>	4,860
Income tax paid		(234)	(1,167)
Interest paid		(297)	(131)
Interest received		229	572
<b>Net cash generated from operating activities</b>		<b>5,575</b>	4,134

	Notes	2004 \$'000	2003 \$'000
<b>Cash flows from investing activities</b>			
Property, plant and equipment			
- purchases		(3,031)	(8,731)
- proceeds from sale		1,828	192
Investments			
- purchases		(4)	(8,463)
- proceeds from sale		-	19,028
Distribution of surplus funds and capital return from associated company		-	1,210
Repayment of staff loan		32	7
Disbursement of staff loan		(18)	-
Deposit placed for business acquisition		-	(4,500)
Payments made for direct costs of business acquisition		(212)	(249)
Payments for acquisition of business	11	(7,452)	-
Dividends received from other quoted investments		370	320
		<b>(8,487)</b>	<b>(1,186)</b>
<b>Cash flows from financing activities</b>			
Net proceeds from issue of shares		113	19
Proceeds/(repayment) from borrowings		10,390	(1,466)
Dividend paid		(1,175)	(1,171)
Increase of finance lease obligation		62	-
Payments under finance lease obligations		(33)	(26)
Interest paid on finance lease obligations		(4)	(3)
		<b>9,353</b>	<b>(2,647)</b>
<b>Net cash generated from/(used in) financing activities</b>		<b>9,353</b>	<b>(2,647)</b>
<b>Net exchange differences arising from translations</b>		<b>79</b>	<b>(16)</b>
<b>Net increase in cash and cash equivalents</b>		<b>6,520</b>	<b>285</b>
<b>Cash and cash equivalents at beginning of financial year</b>		<b>7,706</b>	<b>7,421</b>
<b>Cash and cash equivalents at end of financial year</b>	11	<b>14,226</b>	<b>7,706</b>

The accompanying notes form an integral part of these financial statements.  
Auditors' report - page 29

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2004

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

## 1. General

The Company is incorporated and domiciled in Singapore and is listed on the Singapore Exchange. The address of the Company's registered office is 10 Collyer Quay #19-08 Ocean Building Singapore 049315.

The principal activities of the Company consist of trading in industrial hardware and investment holding. The principal activities of the subsidiaries consist of trading in hardware and general merchandise, provision of racking services and investment holding.

There have been no significant changes in the nature of these activities during the financial year.

## 2. Significant accounting policies

### (a) Effect of changes in Singapore Companies Legislation

Pursuant to the Singapore Companies (Amendment) Act 2002, with effect from financial year commencing on or after 1 January 2003, Singapore-incorporated companies are required to prepare and present their statutory financial statements in accordance with the Singapore Financial Reporting Standards ("FRS"). Hence, these financial statements, including the comparative figures, have been prepared in accordance with FRS.

Previously, the Company and the Group prepared their statutory financial statements in accordance with Singapore Statements of Accounting Standard. The adoption of FRS does not have material impact on the accounting policies and figures presented in the statutory financial statements for financial year ended 31 July 2003.

### (b) Basis of preparation

These financial statements have been prepared under the historical cost convention as modified by the revaluation of lands and premises. The preparation of financial statements in conformity with Singapore Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

### (c) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to the end of the financial year.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 July 2004

### 2. Significant accounting policies (continued)

#### (c) Basis of consolidation (continued)

Subsidiaries are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill. Please refer to note (l) for the accounting policy on goodwill.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

#### (d) Foreign currency translation

##### (1) Measurement currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("the measurement currency"). The consolidated financial statements of the Group and financial statements of the Company are presented in Singapore Dollars, which is the measurement currency of the Company.

##### (2) Transactions and balances

Foreign currency transactions are translated into the measurement currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

Foreign currency monetary assets and liabilities are translated into the measurement currency at the rates of exchange prevailing at the balance sheet date. Exchange differences arising are taken to the income statement.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 July 2004

### 2. Significant accounting policies (continued)

#### (d) Foreign currency translation (continued)

##### (3) Group companies

In respect of foreign subsidiaries whose operations are not an integral part of the Company's operations, the balance sheets are translated into Singapore dollars at the exchange rates prevailing at the balance sheet date, and the results are translated using the average monthly exchange rates for the financial year. The exchange differences arising on translation of foreign subsidiaries, are taken directly to the foreign currency translation reserve. On disposal, accumulated translation differences are recognised in the income statement as part of the gain or loss on sale.

#### (e) Revenue recognition

Revenue comprises the invoiced value for the sale of goods and services net of goods and services tax, returns and discounts, and after eliminating sales within the Group. Revenue from the sale of goods is recognised upon delivery when significant risks and rewards of ownership of the goods are transferred to the buyer. Revenue from rendering of services is recognised on the performance of services.

Revenue arising from rental is recognised on an accrual basis in accordance with the substance of the relevant agreements. Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period of maturity, when it is determined such income will accrue to the Group. Dividends are recognised when the right to receive payment is established.

#### (f) Deferred income taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in determination of deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

#### (g) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks.

#### (h) Trade receivables

Trade receivables are stated at original invoice amount less allowance made for doubtful receivables based on a review of all outstanding amounts at the year end. An allowance for doubtful receivables is made when there is objective evidence that the Group will not be able to collect all amounts due according to original terms of receivables. Bad receivables are written off when identified.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 July 2004

### 2. Significant accounting policies (continued)

#### (i) Inventories

Inventories comprising mainly pipes, fittings, flanges and valves are stated at the lower of cost and net realisable value. Cost is determined on a weighted-average basis. Net realisable value is the estimate of the selling price in the ordinary course of business, less selling expenses.

Allowance for obsolete, slow-moving inventories is made where necessary.

Previously, the cost of inventories was determined on a first-in, first-out basis. The change in the inventory valuation method does not have a material impact on the financial statements for the year ended 31 July 2004.

#### (j) Investments

Investment in subsidiaries are stated in the financial statements of the Company at cost less impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. Impairment losses are taken to the income statement in the period in which the loss is determined.

Investments in other non-current investments are stated at cost and an allowance for diminution is made where, in the opinion of the Directors, there is a decline in value in the investments which is other than temporary. Such decline in value in investments is taken to the income statement in the period in which the decline is determined.

On disposal of an investment, the difference between the net disposal proceeds and its carrying amount is taken to the income statement.

#### (k) Property, plant and equipment

All property, plant and equipment are initially recorded at cost. Freehold land and premises were revalued in August 1992 by an independent firm of professional valuers on the basis of open market with existing use. The Group has no fixed policy on the frequency of valuation of its property, plant and equipment and the valuation was carried out for the purpose of updating the book value of the freehold land and premises for the initial public offering of shares of the Company. All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses.

Increases in the carrying amount arising from the revaluation of individual land and premises are taken to an asset revaluation reserve in shareholders' equity, unless they are directly related to previous decreases in carrying amount that were taken to the income statement. Such increases are taken to income statement to the extent that they offset previously recorded decreases. Decreases in the carrying amount that offset previous increases of the same asset are taken to asset revaluation reserve; all other decreases are taken to the income statement.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 July 2004

### 2. Significant accounting policies (continued)

#### (k) Property, plant and equipment (continued)

No depreciation is provided on freehold land. Depreciation is calculated on a straight line basis to write off the cost or revalued amount of other property, plant and equipment over their expected useful lives. The estimated useful lives are as follows :

	<u>Years</u>
Freehold premises	50
Leasehold land and premises	remaining period of lease
Motor vehicles	4 - 10
Furniture, fittings and equipment	3 - 20
Plant and machinery	3 - 20

Fully depreciated assets are retained in the financial statements until they are no longer in use.

Repairs and maintenance are taken to the income statement during the financial period in which they are incurred. The cost of major renovations and restorations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group, and depreciated over the remaining useful life of the asset.

Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit/(loss) from operations. On disposal of revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained earnings.

#### (l) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets at the date of acquisition.

Goodwill on acquisitions of subsidiaries occurring on or after 1 January 2001 is included as non-current assets. Goodwill on acquisitions that occurred prior to 1 January 2001 has been taken in full to retained earnings in shareholders' equity; such goodwill has not been retroactively capitalised and amortised.

Goodwill on acquisition of business is amortised using the straight-line method over its estimated useful life of 10 years.

At each balance sheet date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of goodwill is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 July 2004

### 2. Significant accounting policies (continued)

#### (m) Impairment of long lived assets

Other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

#### (n) Leases

(1) When a group company is the lessee :

##### Finance leases

Leases of property, plant and equipment where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is taken to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

##### Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(2) When a group company is the lessor :

##### Operating leases

Revenue arising from rental of the operating leases of the freehold land and premises is recognised on a straight-line basis over the lease term.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 July 2004

### 2. Significant accounting policies (continued)

#### (o) Employee benefits

##### *Employee leave entitlement*

Employee entitlements to annual leave is recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

##### *Retirement gratuity*

Retirement gratuity is payable to certain executive directors of the Company when they retire at the age of 55 years or later. The benefit accrues annually and is calculated at one month's salary for each completed year of service with the Company. Provision is made for the accrued benefit, which is not funded, to the end of the financial year based on current salary cost.

#### (p) Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

#### (q) Segment reporting

Business segments provide products and services that are subject to risks and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those of components operating in other economic environments.

#### (r) Share capital

Incremental external costs directly attributable to the issue of new shares, are shown in equity as a deduction, net of tax, from the proceeds.

#### (s) Dividends

Dividends are recorded in the Group's financial statements in the period in which they are declared payable.

### 3. Revenue

	GROUP		COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Sale of goods	105,999	53,648	52,257	46,540
Revenue from services	389	–	–	–
Rental income	596	459	509	142
	<b>106,984</b>	54,107	<b>52,766</b>	46,682

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 July 2004

### 4. Other operating income

	GROUP		COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Profit on sale of quoted investments	–	301	–	301
Bad trade receivables recovered	47	26	39	3
Gross dividend income from quoted investments	370	320	323	284
Profit on sale of property, plant and equipment	17	14	9	2
Proceeds from sales of scrap	105	119	42	118
Others	140	37	67	24
	<b>679</b>	817	<b>480</b>	732

### 5. Staff costs

	GROUP		COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Wages and salaries	8,770	4,047	6,572	3,184
Directors' fees	316	250	266	196
Employer's contribution to defined contribution plans including Central Provident Fund Retirement gratuity	552	501	312	393
	74	61	74	61
	<b>9,712</b>	4,859	<b>7,224</b>	3,834
Number of employees at end of financial year	<b>147</b>	98	<b>65</b>	64

Depreciation charge of motor vehicles used by directors amounting to \$106,000 (2003: \$119,000) of the Group, \$95,000 (2003:\$95,000) of the Company are not included in staff cost.

### 6. Exceptional items

	GROUP		COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Impairment loss of investment in subsidiary written back	–	–	435	1,051
Allowance for loan to subsidiary written back	–	–	1,869	–
Allowance for diminution in value of quoted investments	(231)	–	–	–
Exchange loss arising from conversion of foreign currency holdings	–	(495)	–	(495)
Distribution of surplus funds from associated company on winding up	–	–	–	406
	<b>(231)</b>	(495)	<b>2,304</b>	962

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 July 2004

### 7. Profit from operations

The following items have been included in arriving at profit from operations :

	GROUP		COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<u>Charging:</u>				
Amortisation charge on goodwill (Note 20)	<b>331</b>	–	–	–
Auditors' remuneration paid/payable to:				
- Auditors of the Company	<b>119</b>	78	<b>60</b>	60
- Other auditors *	<b>7</b>	5	–	–
Bad trade receivables written off	<b>26</b>	7	–	7
Depreciation of property, plant and equipment (Note 19):				
- freehold land and premises	<b>130</b>	130	<b>36</b>	36
- leasehold land and premises and leasehold improvement	<b>576</b>	43	–	–
- motor vehicles	<b>182</b>	189	<b>150</b>	139
- furniture, fittings and equipment	<b>291</b>	89	<b>140</b>	56
- plant and machinery	<b>196</b>	28	<b>47</b>	23
Directors' remuneration				
- directors of the Company	<b>4,510</b>	1,117	<b>4,395</b>	1,012
- other directors	<b>223</b>	178	–	–
Directors' fees				
- directors of the Company	<b>295</b>	241	<b>266</b>	196
- other directors	<b>21</b>	9	–	–
Directors' retirement gratuity (Note 24)	<b>74</b>	61	<b>74</b>	61
Inventories written off	<b>279</b>	1,749	<b>270</b>	713
Loss on:				
- sale of property, plant and equipment	–	3	–	–
- foreign exchange - net	<b>375</b>	175	<b>266</b>	213
Property, plant and equipment written off	–	42	–	40
Rental expenses - operating lease	<b>422</b>	305	<b>1,915</b>	180
<u>And after crediting:</u>				
Bad trade receivables recovered	<b>47</b>	26	<b>39</b>	3
Profit on sale of property, plant and equipment	<b>17</b>	14	<b>9</b>	2
Profit on sale of quoted investments	–	301	–	301

\* Includes PricewaterhouseCoopers firms outside Singapore.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 July 2004

### 8. Finance (cost)/income - net

	GROUP		COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Interest income from:				
- fixed deposits	<b>38</b>	6	<b>15</b>	6
- quoted corporate bonds	<b>189</b>	567	<b>189</b>	567
- other quoted investment	-	18	-	18
- others	<b>2</b>	6	<b>1</b>	-
	<b>229</b>	597	<b>205</b>	591
Interest expense on:				
- bank loans	<b>(211)</b>	(7)	<b>(35)</b>	(7)
- finance lease	<b>(4)</b>	(3)	<b>(3)</b>	(3)
- trust receipts	<b>(121)</b>	(125)	<b>(53)</b>	(124)
- others	<b>(2)</b>	-	-	-
	<b>(338)</b>	(135)	<b>(91)</b>	(134)
	<b>(109)</b>	462	<b>114</b>	457

### 9. Tax

#### (a) Tax expense

	GROUP		COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Tax expense attributable to profit is made up of:				
Current income tax				
- Singapore	<b>3,150</b>	117	<b>1,522</b>	90
- Foreign	<b>322</b>	8	-	-
	<b>3,472</b>	125	<b>1,522</b>	90
Deferred tax	<b>525</b>	19	<b>33</b>	37
	<b>3,997</b>	144	<b>1,555</b>	127
(Over)/underprovision in preceding financial years				
- current income tax	<b>(7)</b>	650	-	650
- deferred tax	<b>(58)</b>	(1,002)	<b>(37)</b>	(484)
	<b>3,932</b>	(208)	<b>1,518</b>	293

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 July 2004

### 9. Tax (continued)

The tax expense on profit differs from the amount that would arise using the Singapore standard rate of income tax due to the following:

	GROUP		COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Profit before tax	<b>17,745</b>	1,166	<b>9,895</b>	1,704
Tax at statutory tax rate of 20% (2003: 22%)	<b>3,549</b>	257	<b>1,979</b>	375
Expenses not deductible for tax purposes	<b>476</b>	404	<b>131</b>	227
Effects of changes in tax rate	<b>38</b>	–	<b>9</b>	–
Effect of concessionary tax rates	–	(23)	–	(23)
Income not subject to tax	<b>(97)</b>	(123)	<b>(553)</b>	(440)
Effect of different tax rate in other country	<b>87</b>	(5)	–	–
Singapore statutory stepped income exemption	<b>(54)</b>	(27)	<b>(11)</b>	(12)
Utilisation of previously unrecognised:				
- tax losses	<b>(2)</b>	(329)	–	–
- temporary differences	–	(10)	–	–
	<b>3,997</b>	144	<b>1,555</b>	127

#### (b) Movements in provision for current tax

	GROUP		COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
At beginning of financial year	<b>(243)</b>	149	<b>(164)</b>	98
Exchange difference	<b>2</b>	–	–	–
Income tax paid	<b>(234)</b>	(1,167)	<b>(96)</b>	(1,002)
Current financial year's tax expenses				
on profit	<b>3,472</b>	125	<b>1,522</b>	90
Acquisition of subsidiary	<b>5</b>	–	–	–
Tax credit on dividends	<b>(7)</b>	–	–	–
(Under)/overprovision in preceding financial years	<b>(7)</b>	650	–	650
At end of financial year	<b>2,988</b>	(243)	<b>1,262</b>	(164)
Tax recoverable (Note 12)	<b>(14)</b>	(266)	–	(164)
Provision for current tax	<b>3,002</b>	23	<b>1,262</b>	–
	<b>2,988</b>	(243)	<b>1,262</b>	(164)

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 July 2004

### 10. Basic earnings per share

The calculation of earnings per ordinary share is based on the following :

	GROUP	
	2004	2003
	\$'000	\$'000
<b>Net profit of Hup Seng Huat Co. Ltd attributable to members (\$'000)</b>	<b>13,806</b>	1,400
Weighted average number of ordinary shares in issue ('000)	<b>301,064</b>	300,386
Basic earnings per ordinary share (cents)	<b>4.58</b>	0.47

Basic earnings per share is calculated by dividing the net profit attributable to members of the Company by the weighted average number of ordinary shares in issue during the financial year.

Fully diluted earnings per share is the same as the basic earnings per share as there is no material dilutive effect from the exercise of outstanding share options at 31 July 2004.

### 11. Cash and cash equivalents

	GROUP		COMPANY	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Cash and bank balances	<b>13,919</b>	3,270	<b>2,992</b>	2,034
Fixed deposits	<b>307</b>	4,436	-	4,436
	<b>14,226</b>	7,706	<b>2,992</b>	6,470

The fixed deposits with financial institutions mature on varying dates within 7 months (2003: 2 months) from the financial year end. The weighted average effective interest rate of these deposits as at 31 July 2004 was 1.84% (2003:0.72%) per annum.

#### Acquisition of business

During the financial year, the Group acquired the assets and assumed the liabilities of Hoe Seng Huat Hardware Company (Private) Limited, a related party. The assets acquired include 100% of the issued share capital of Sinip Steel Industries (S) Pte Ltd.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 July 2004

### 11. Cash and cash equivalents (continued)

The aggregate effects of the acquisition of business are as follows :

	GROUP Acquisition \$'000
Property, plant and equipment (Note 19)	448
Trade and other receivables	163
Inventories	16,056
Cash and cash equivalents	524
Other current assets	111
Total assets	<u>17,302</u>
Bank overdraft	1,677
Borrowings	5,852
Trade payables	3,308
Other payables and accruals	135
Current tax liabilities	5
Deferred tax liabilities	26
	<u>11,003</u>
Net identifiable assets purchased	6,299
Goodwill (Note 20)	4,500
Total cash consideration	<u>10,799</u>
Less: Cash and cash equivalents acquired:	
- cash and cash balances	(524)
- bank overdraft	1,677
Payments made in prior year for deposits placed for business acquisition	(4,500)
Net cash outflow from acquisition	<u>7,452</u>

### 12. Trade and other receivables

	GROUP		COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Trade receivables - third parties	30,525	12,822	13,377	7,885
GST recoverable	311	81	308	81
Less: allowance for doubtful receivables	(965)	(818)	(100)	(93)
	<u>29,871</u>	12,085	<u>13,585</u>	7,873
Deferred expenditure	-	249	-	249
Advances to staff	22	30	1	2
Tax recoverable	14	266	-	164
Interest receivable	27	27	27	27
Sundry receivables	80	54	1	3
	<u>30,014</u>	12,711	<u>13,614</u>	8,318

Deferred expenditure as at 31 July 2003 relates to direct cost incurred for the acquisition of business and assets from a related party (Note 30).

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 July 2004

### 13. Inventories

	GROUP		COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
At cost	<b>30,263</b>	15,944	<b>18,823</b>	14,265
At net realisable value	<b>3,870</b>	4,050	<b>3,145</b>	3,088
	<b>34,133</b>	19,994	<b>21,968</b>	17,353

### 14. Other current assets

	GROUP		COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Deposits	<b>74</b>	4,624	<b>3</b>	4,570
Prepayments	<b>199</b>	86	<b>84</b>	57
	<b>273</b>	4,710	<b>87</b>	4,627

Deposits as at 31 July 2003 included \$4,500,000 deposit placed with an escrow agent for the acquisition of business and certain assets from a related party (Note 30).

### 15. Due from subsidiaries

	COMPANY	
	2004 \$'000	2003 \$'000
<u>Due from subsidiaries</u>		
Trade	<b>4,169</b>	5,094
Non-trade	<b>837</b>	837
	<b>5,006</b>	5,931

The non-trade amount due from subsidiaries is unsecured, interest-free and is repayable on demand.

### 16. Other receivables - non current

	GROUP		COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Staff loan due after 12 months	<b>20</b>	27	-	-

The interest rate for the staff loan is variable and pegged to the average of the prevailing 6 months fixed deposit rates of the local banks. Accordingly, the carrying amount of the staff loan approximate to its fair value. The weighted average effective interest rate as at balance sheet date is 0.45% (2003: 0.79%). The loan is repayable in April 2008.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 July 2004

### 17. Investments

	GROUP		COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Subsidiaries	–	–	<b>8,274</b>	7,839
Other long-term investments	<b>9,490</b>	9,724	<b>8,403</b>	8,403
	<b>9,490</b>	9,724	<b>16,677</b>	16,242

#### (a) Subsidiaries

	COMPANY	
	2004 \$'000	2003 \$'000
Unquoted equity shares, at cost	<b>9,489</b>	9,489
Less: Impairment losses	<b>(1,215)</b>	(1,650)
	<b>8,274</b>	7,839

#### Acquisition of a subsidiary

During the financial year, the Group acquired the assets and assumed the liabilities of Hoe Seng Huat Hardware Company (Private) Limited, a related party. The assets acquired include 100% of the issued share capital of Sinip Steel Industries (S) Pte Ltd. The fair value of the net assets approximates to the book values of the net assets acquired.

The particulars of the subsidiaries are as follows:

<u>Name</u>	<u>Place of incorporation and business</u>	<u>Principal activities</u>	<u>Effective interest</u>		<u>Cost of unquoted equity investment</u>	
			2004 %	2003 %	2004 \$'000	2003 \$'000
<b>Held by the Company</b>						
Eastern Win Metals & Machinery Pte Ltd	Singapore	Hardware and general merchandise and racking services	<b>100</b>	100	<b>364</b>	364
Metal House Investment Pte Ltd	Singapore	Hardware trading, property and investment holding	<b>100</b>	100	<b>6,000</b>	6,000
Hup Seng Huat Land Pte Ltd	Singapore	Investment holding	<b>100</b>	100	<b>1,050</b>	1,050
Thong Seng Metal Pte Ltd	Singapore	Hardware trading	<b>100</b>	100	<b>300</b>	300
Pressure Products Sdn. Bhd.*	Malaysia	Hardware trading	<b>100</b>	100	<b>1,743</b>	1,743
Deluxe Attempt Sdn. Bhd.*	Malaysia	Investment holding	<b>55</b>	55	<b>32</b>	32
					<b>9,489</b>	9,489

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 July 2004

### 17. Investments (continued)

#### (a) Subsidiaries (continued)

Name	Place of incorporation and business	Principal activities	Effective interest		Cost of unquoted equity investment	
			2004 %	2003 %	2004 \$'000	2003 \$'000
<b>Held by subsidiary</b>						
Hoe Seng Huat Pte Ltd	Singapore	Hardware trading	100	100	-	-
Sinip Steel Industries (S) Pte Ltd	Singapore	Sand-blasting	100	-	-	-

\* Audited by PricewaterhouseCoopers firms outside Singapore.

#### (b) Other long-term investments

	GROUP		COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>Quoted investments, at cost</b>				
Equity shares in corporations	6,982	6,982	5,403	5,403
Less: Allowance for diminution in value	(554)	(323)	-	-
	<b>6,428</b>	6,659	<b>5,403</b>	5,403
Corporate bonds	3,000	3,000	3,000	3,000
	<b>9,428</b>	9,659	<b>8,403</b>	8,403
<b>Unquoted investment, at cost</b>				
Club membership	62	65	-	-
	<b>9,490</b>	9,724	<b>8,403</b>	8,403
<b>Market value of quoted investments</b>	<b>10,358</b>	9,915	<b>9,176</b>	8,894

The carrying amount of the unquoted investment at the balance sheet approximates its fair value.

### 18. Loan to a subsidiary

	COMPANY	
	2004 \$'000	2003 \$'000
Loan due after 12 months	30,650	16,077

The loan to a subsidiary is unsecured, interest-free and repayable on demand.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 July 2004

### 19. Property, plant and equipment

	Freehold land and premises	Leasehold land and premises	Motor vehicles	Furniture, fittings and equipment	Plant and machinery	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<u>Group</u>						
<i>Cost or valuation</i>						
At 1 August 2003						
Cost	6,520	16,657	2,160	1,652	1,437	28,426
Valuation	13,900	–	–	–	–	13,900
	20,420	16,657	2,160	1,652	1,437	42,326
Exchange rate adjustments	–	(50)	(4)	(7)	–	(61)
Acquisition of business	–	2	55	138	253	448
Additions	–	2,427	175	264	165	3,031
Disposals	–	(2,092)	(287)	(132)	(31)	(2,542)
<b>At 31 July 2004</b>	<b>20,420</b>	<b>16,944</b>	<b>2,099</b>	<b>1,915</b>	<b>1,824</b>	<b>43,202</b>
<u>Representing:</u>						
Cost	6,520	16,944	2,099	1,915	1,824	29,302
Valuation	13,900	–	–	–	–	13,900
	20,420	16,944	2,099	1,915	1,824	43,202
<i>Accumulated depreciation</i>						
At 1 August 2003						
Exchange rate adjustments	–	(7)	(4)	(5)	(1)	(17)
Depreciation charge	130	576	182	291	196	1,375
Disposals	–	(320)	(263)	(117)	(31)	(731)
<b>At 31 July 2004</b>	<b>1,694</b>	<b>570</b>	<b>935</b>	<b>901</b>	<b>360</b>	<b>4,460</b>
Impairment charge	(3,866)	–	–	–	–	(3,866)
<b>Net book value</b>	<b>14,860</b>	<b>16,374</b>	<b>1,164</b>	<b>1,014</b>	<b>1,464</b>	<b>34,876</b>
<b>At 31 July 2004</b>						
Net book value	18,856	16,336	1,140	920	1,241	38,493
At 31 July 2003						

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 July 2004

### 19. Property, plant and equipment (continued)

	Freehold land and premises	Motor vehicles	Furniture, fittings and equipment	Plant and machinery	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Company</i>					
<i>Cost or valuation</i>					
At 1 August 2003					
Cost	–	1,607	1,223	287	3,117
Valuation	8,920	–	–	–	8,920
	8,920	1,607	1,223	287	12,037
Additions	–	89	167	106	362
Disposals	–	(90)	(94)	(20)	(204)
<b>At 31 July 2004</b>	<b>8,920</b>	<b>1,606</b>	<b>1,296</b>	<b>373</b>	<b>12,195</b>
Representing :					
Cost	–	1,606	1,296	373	3,275
Valuation	8,920	–	–	–	8,920
	8,920	1,606	1,296	373	12,195
<i>Accumulated depreciation</i>					
At 1 August 2003					
Depreciation charge	36	150	140	47	373
Disposals	–	(75)	(94)	(20)	(189)
<b>At 31 July 2004</b>	<b>473</b>	<b>609</b>	<b>474</b>	<b>135</b>	<b>1,691</b>
Impairment charge	(1,388)	–	–	–	(1,388)
<b>Net book value</b>	<b>7,059</b>	<b>997</b>	<b>822</b>	<b>238</b>	<b>9,116</b>
<b>At 31 July 2004</b>	<b>7,059</b>	<b>997</b>	<b>822</b>	<b>238</b>	<b>9,116</b>
Net book value					
At 31 July 2003	8,483	1,073	795	179	10,530

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 July 2004

### 19. Property, plant and equipment (continued)

(a) The properties of the Group are as follows:

<b>Description</b>	<b>Location</b>	<b>Floor area</b> Square metres	<b>Site area</b> Square metres	<b>Tenure</b>	<b>Years</b>
Warehouse with 3-storey office block annexe	6 Kim Chuan Drive Singapore	1,865	3,075	Freehold	–
Warehouse with 5-storey office block annexe	116 Neythal Road Singapore	31,854	29,519	Leasehold	30 years from 2001
2-storey shophouse	359 Jalan Besar Singapore	237	142	Freehold	–
2-storey shophouse	365/365A Jalan Besar, Singapore	256	158	Freehold	–
Office units	27 Foch Road #05-04/05/06/07 Hoa Nam Building Singapore	128	–	Freehold	–
Warehouse with office block annexe	22 Benoi Road Singapore	2,116	10,144	Leasehold	10 years from 2004
7-storey industrial building	38 Genting Lane Singapore	4,040	2,103	Freehold	–
Single-storey terraced factory	Lot MC 0259 Subang Industrial Park, Malaysia	149	149	Leasehold	99 years from 1992
Factory	Lot 1 Kawasan MIEL Phase 10 Section 23 Shah Alam, Malaysia	2,594	5,300	Leasehold	99 years from 1995

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 July 2004

### 19. Property, plant and equipment (continued)

- (b) Freehold land and freehold premises of the Group and the Company were revalued by the directors in August 1992 based on a valuation carried out by an independent firm of professional valuers on the basis of open market value with existing use. The revaluation surplus had been transferred to asset revaluation reserve account. The Group has no fixed policy on the frequency of valuation of its property, plant and equipment and the valuation was carried out for the purpose of updating the book value of the freehold properties for the initial public offering of shares of the Company.
- (c) Had the revalued freehold land and freehold premises of the Group and the Company been carried at cost less accumulated depreciation, the carrying amounts of the freehold properties would have been as follows:

	GROUP		COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<u>Carrying amounts</u>				
Freehold land	<b>6,863</b>	6,863	<b>2,363</b>	2,363
Freehold premises	<b>3,183</b>	3,289	<b>526</b>	544
	<b>10,046</b>	10,152	<b>2,889</b>	2,907

- (d) The Group and the Company had motor vehicles under finance leases with carrying amounts of \$79,000 (2003: \$178,000) and \$nil (2003: \$178,000) respectively.

### 20. Goodwill

	GROUP	
	2004 \$'000	2003 \$'000
At the beginning of financial year	-	-
Goodwill arising on acquisition of business		
- Premium over fair value of net assets acquired	<b>4,500</b>	-
- Direct costs of acquisition	<b>461</b>	-
	<b>4,961</b>	-
Amortisation for the financial year	<b>(331)</b>	-
At the end of financial year	<b>4,630</b>	-

### 21. Other payables and accruals

	GROUP		COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Other payables	<b>357</b>	927	<b>216</b>	224
Deposits received from customers	<b>52</b>	46	<b>47</b>	46
Accrued operating expenses	<b>4,996</b>	1,041	<b>4,227</b>	768
	<b>5,405</b>	2,014	<b>4,490</b>	1,038

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 July 2004

### 22. Borrowings

	GROUP		COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Current				
Term loan	<b>2,000</b>	–	–	–
Trust receipts	<b>7,550</b>	1,141	<b>5,251</b>	1,070
Finance lease liabilities (Note 23)	<b>68</b>	20	<b>48</b>	20
	<b>9,618</b>	1,161	<b>5,299</b>	1,090
Non-current				
Term loan	<b>7,833</b>	–	–	–
Finance lease liabilities (Note 23)	<b>24</b>	48	–	48
	<b>7,857</b>	48	–	48

(a) Interest rate risk

	GROUP		COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
The weighted average effective interest rates at the balance sheet are as follows:				
Term loan	<b>2.60%</b>	–	–	–
Trust receipts	<b>2.30%</b>	1.80%	<b>2.09%</b>	1.80%
Finance lease liabilities (Note 23)	<b>2.77%</b>	2.60%	<b>2.60%</b>	2.60%

The term loan is due for repricing within 6 months.

(b) Carrying amount and fair value

The borrowing rate for the term loan is variable and based on a fixed margin over the lending bank's cost of funds. The directors expect these rates to be similar to the borrowing rates that would be available to the Group at the balance sheet date. Accordingly, the carrying amount of the term loan approximate to its fair value.

(c) Maturity of non-current borrowing

Maturity of non-current borrowing (excluding finance lease liabilities (Note 23)) is as follows :

	GROUP	
	2004 \$'000	2003 \$'000
Between 1 and 2 years	<b>2,000</b>	–
Between 2 and 5 years	<b>5,833</b>	–
	<b>7,833</b>	–

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 July 2004

### 23. Finance lease liabilities

	GROUP		COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Minimum lease payments due:				
- not later than 1 year	76	23	54	23
- later than 1 year but not later than 5 years	26	54	-	54
	<b>102</b>	77	<b>54</b>	77
Less: future finance charges	<b>(10)</b>	(9)	<b>(6)</b>	(9)
Present value of finance lease liabilities	<b>92</b>	68	<b>48</b>	68

The present value of finance lease liabilities is as follows :

- not later than 1 year	68	20	48	20
- later than 1 year but not later than 5 years	24	48	-	48
	<b>92</b>	68	<b>48</b>	68

### 24. Provision for directors' retirement gratuity

	GROUP AND COMPANY	
	2004 \$'000	2003 \$'000
At beginning of financial year	610	549
Provision made during the financial year	74	61
At end of financial year	<b>684</b>	610

### 25. Deferred income taxes

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 20% (2003: 22%).

The movement in the Group's deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the period is as follows :

#### Group

Deferred tax liabilities/(assets)

	Accelerated tax depreciation \$'000	Provisions \$'000	Tax losses \$'000	Others \$'000	Total \$'000
At beginning of financial year	321	(252)	(496)	(10)	(437)
Acquisition of subsidiary	27	-	-	-	27
Tax charge/(credit) to income statement	28	(51)	496	(6)	467
At end of financial year	376	(303)	-	(16)	57

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 July 2004

### 25. Deferred income taxes (continued)

#### Company

Deferred tax liabilities/(assets)

	Accelerated Tax depreciation	Provisions	Others	Total
	\$'000	\$'000	\$'000	\$'000
At beginning of financial year	120	(227)	6	(101)
Tax charge/(credit) to income statement	43	(41)	(6)	(4)
At end of financial year	163	(268)	–	(105)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet :

	<u>GROUP</u>		<u>COMPANY</u>	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Deferred tax assets	(131)	(630)	(105)	(101)
Deferred tax liabilities	188	193	–	–

The amounts shown in the balance sheet included the following :

	<u>GROUP</u>		<u>COMPANY</u>	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Deferred tax assets to be recovered after more than 12 months	(131)	(630)	(105)	(101)
Deferred tax liabilities to be settled after more than 12 months	188	193	–	–

### 26. Share capital of Hup Seng Huat Co. Ltd

#### (a) Authorised ordinary share capital

The total authorised number of ordinary shares is 500 million shares (2003: 500 million shares) with a par value of \$0.10 per share (2003: \$0.10 per share).

#### (b) Issued ordinary share capital

	2004 shares '000	2003 shares '000	2004 \$'000	2003 \$'000
At beginning of financial year	300,531	300,382	30,053	30,038
Issue of shares on exercise of share options	742	149	74	15
At end of financial year	301,273	300,531	30,127	30,053

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 July 2004

### 26. Share capital of Hup Seng Huat Co. Ltd (continued)

At the end of the financial year, outstanding options to take up unissued shares of the Company granted to a director and eligible employees of the Company and its subsidiaries under the Option Scheme were as follows:

Date of grant	Balance At 1.8.03	Exercised during the financial year	Expired/ cancelled	Balance At 31.7.04	Exercise price	Expiry date
21 May 1999	601,000	–	(601,000)	–	\$0.3030	20 May 2004
26 Nov 1999	512,000	–	(5,000)	507,000	\$0.3800	25 Nov 2004
17 Nov 2000	638,000	(356,000)	(7,000)	275,000	\$0.1770	16 Nov 2005
17 Nov 2001	546,000	(386,000)	–	160,000	\$0.1300	16 Nov 2006
	<u>2,297,000</u>	<u>(742,000)</u>	<u>(613,000)</u>	<u>942,000</u>		

The Option Scheme was approved by the members of the Company at the Extraordinary General Meeting held on 24 April 1996. The options were granted, pursuant to the Option Scheme, to a director and full-time confirmed employees of the Company and its subsidiaries to subscribe for ordinary shares of \$0.10 each in the Company. The options granted may be exercised at any time after the first anniversary but before the expiry of the fifth anniversary of the date of the grant.

### 27. Capital reserves

	GROUP		COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Asset revaluation reserve	<b>1,525</b>	5,391	<b>1,430</b>	2,818
Goodwill arising from consolidation	<b>(2,002)</b>	(2,002)	–	–
	<b>(477)</b>	3,389	<b>1,430</b>	2,818
<u>Asset revaluation reserves</u>				
At beginning of financial year	<b>5,391</b>	5,391	<b>2,818</b>	2,818
Impairment loss on property, plant and equipment written back against revaluation reserves	<b>(3,866)</b>	–	<b>(1,388)</b>	–
At end of financial year	<b>1,525</b>	5,391	<b>1,430</b>	2,818

The revaluation reserves arise from revaluation of freehold land and freehold premises by an independent firm of professional valuers in August 1992, on basis of open market value (Note 19).

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 July 2004

### 28. Dividend paid and proposed

	GROUP AND COMPANY	
	2004 \$'000	2003 \$'000
Final dividend paid of 0.5 cent (2003: 0.5 cent) per share less income tax at 20% (2003: 22%)	<b>1,175</b>	1,171

A final dividend of 0.5 cents per share and a special dividend of 1 cent per share amounting to a total of \$3,615,000 net of tax at 20% is to be recommended. These financial statements do not reflect this dividend payable, which will be accounted for in the shareholders' equity as an appropriation of retained earnings in the financial year ended 31 July 2005.

### 29. Contingent liability

The Company has given guarantee to a financial institution in respect of credit facilities granted its subsidiary amounting to \$28,000,000 (2003:nil). The directors are of the view that no losses are expected to arise from the guarantee.

### 30. Commitments

- (a) Operating lease commitments - where a group company is lessee

The future aggregate minimum lease payments under non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities, are as follows :

	GROUP		COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Not later than 1 year	<b>470</b>	315	<b>1,886</b>	1,886
Later than 1 year but not later than 5 years	<b>1,880</b>	1,202	<b>1,886</b>	3,772
Later than 5 years	<b>7,094</b>	6,611	-	-
	<b>9,444</b>	8,128	<b>3,772</b>	5,658

- (b) Operating lease commitments - where a group company is lessor

The future minimum lease payments receivable under non-cancellable operating leases contracted for at the reporting date but not recognised as receivables, are as follows :

	GROUP		COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Not later than 1 year	<b>411</b>	533	<b>497</b>	503
Later than 1 year but not later than 5 years	<b>205</b>	562	<b>482</b>	948
Later than 5 years	-	-	-	-
	<b>616</b>	1,095	<b>979</b>	1,451

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 July 2004

### 31. Related party transactions

In addition to the related party transactions disclosed elsewhere in the financial statements, the following significant transactions with related parties took place during the financial year on terms mutually agreed between the parties concerned:

	GROUP	
	2004	2003
	\$'000	\$'000
<b>(a) With an associated Company:</b>		
Service charges paid	-	433
<b>(b) With companies in which certain directors of the company have substantial financial interests:</b>		
Sales to	179	421
Purchases from	6	41
Service charges paid	8	-
Service charges received	57	-
Purchase consideration paid for acquisition of business	6,299	4,500
Management fees paid	78	61
<b>(c) With directors of the Company:</b>		
Rental paid for office space	31	78
<b>(d) With a relative of certain directors of the Company:</b>		
Rental paid for office space	-	78

### 32. Group segment information

The Group has two business segments operating in two geographical areas, Singapore and Malaysia. Singapore is the home country of the Company.

The business segments are:

Hardware trading - sale of industrial hardware products.

Property investment - rental of properties.

The segment information has been compiled using a consistent basis. The division of the group's revenue, results and assets and liabilities into geographical and business segments has been ascertained by reference to direct identification to each particular segment. Inter-segment pricing is based on prices agreed between the parties concerned.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 July 2004

### 32. Group segment information (continued)

Primary reporting format - geographical segments.

This is based in the geographical area in which the assets are located.

	Singapore \$'000	Malaysia \$'000	Total \$'000
2004			
<b>REVENUE</b>			
Total revenue	104,842	7,378	112,220
Inter-segment sales	(5,236)	–	(5,236)
External sales	99,606	7,378	106,984
<b>RESULT</b>			
Segment result	16,363	1,121	17,484
Interest expense			(338)
Interest income			229
Dividend income			370
Profit on sale of investments			–
Share of loss of associated company			–
Taxation			(3,932)
Minority interests			(7)
Profit attributable to shareholders			13,806
<b>OTHER INFORMATION</b>			
Segment assets	121,668	5,980	127,648
Tax assets			145
Total assets			127,793
Segment liabilities	26,847	199	27,046
Tax liabilities			3,190
Total liabilities			30,236
Capital expenditure	1,192	1,839	3,031
Depreciation of property, plant and equipment	1,318	57	1,375
Amortisation of goodwill	331	–	331
Impairment charge of property, plant and equipment charged to equity	3,866	–	3,866

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 July 2004

### 32. Group segment information (continued)

Primary reporting format - geographical segments.

	Singapore \$'000	Malaysia \$'000	Total \$'000
2003			
<b>REVENUE</b>			
Total revenue	50,285	15,430	65,715
Inter-segment sales	(11,608)	–	(11,608)
External sales	38,677	15,430	54,107
<b>RESULT</b>			
Segment result	(1,004)	1,087	83
Interest expense			(135)
Interest income			597
Dividend income			320
Profit on sale of investments			301
Share of profit of associated company			–
Taxation			208
Minority interests			26
Profit attributable to shareholders			1,400
<b>OTHER INFORMATION</b>			
Segment assets	86,483	6,616	93,099
Tax assets			896
Total assets			93,995
Segment liabilities	4,951	161	5,112
Tax liabilities			216
Total liabilities			5,328
Capital expenditure	8,711	20	8,731
Depreciation of property, plant and equipment	409	70	479

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 July 2004

### 32. Group segment information (continued)

Revenue from sales to external customers based on location of customers for each customer-based geographical segment is as follows:

	<b>2004</b> <b>\$'000</b>	2003 \$'000
Singapore	<b>62,556</b>	24,341
Malaysia	<b>23,400</b>	20,791
Other South East Asian countries	<b>14,111</b>	6,469
Other countries	<b>6,917</b>	2,506
	<b>106,984</b>	54,107

Secondary reporting format - business segments

	<u>Hardware</u> \$'000	<u>Property investment</u> \$'000	<u>Total</u> \$'000
2004			
<b>REVENUE</b>			
External sales	106,388	596	106,984
<b>OTHER INFORMATION</b>			
Total assets	96,502	31,291	127,793
Capital expenditure	2,368	663	3,031
2003			
<b>REVENUE</b>			
External sales	53,648	459	54,107
<b>OTHER INFORMATION</b>			
Total assets	57,452	36,543	93,995
Capital expenditure	1,270	7,461	8,731

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the financial year ended 31 July 2004

### 33. Financial instruments and fair values

#### (a) Financial risk management objectives and policies

The main risks arising from the Group's activities are credit risk, foreign currency and interest rate risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

##### *Credit risk*

Credit risk refers to the risk that counterparties will default on their contractual obligations resulting in financial loss to the Group. The Group reviews on a regular basis the exposure to credit risk and makes allowances for potential losses on credit extended when necessary. The carrying amount of each financial asset as indicated in the balance sheet represents the Group's maximum exposure to credit risk.

##### *Foreign currency risk*

Foreign currency risk arises from the change in foreign exchange rates that may have an adverse effect on the group in the current reporting year and in the future years. The Group incurs foreign currency risk on purchases that are denominated in currency other than Singapore dollars, since the value denominated in other currencies will fluctuate due to changes in exchange rates. The Group does not have any formal policy with respect to the foreign currency exposure but monitored it on an ongoing basis.

##### *Interest rate risk*

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's fixed deposits with the banks.

#### (b) Fair values

Except as disclosed elsewhere in the financial statements, the carrying amounts of other financial assets and liabilities approximate to their fair values.

### 34. Approval of financial statements

The financial statements were approved by the board of directors and authorised for issue on 12 October 2004.

## SHAREHOLDERS' INFORMATION

As at 5 October 2004

Authorised share capital	:	\$50,000,000
Issued and fully paid-up capital	:	\$30,127,300
Class of shares	:	Ordinary share of \$0.10 each
Voting rights	:	One vote per share

### STATISTICS OF SHAREHOLDINGS

SIZE OF HOLDINGS	NUMBER OF SHAREHOLDERS	%	NUMBER OF SHARES	%
1 - 999	385	4.54	131,300	0.04
1,000 - 10,000	6,784	80.06	23,451,463	7.79
10,001 - 1,000,000	1,286	15.18	43,162,437	14.33
1,000,001 AND ABOVE	19	0.22	234,527,800	77.84
	8,474	100.00	301,273,000	100.00

### TWENTY LARGEST SHAREHOLDERS

NO.	NAME OF SHAREHOLDERS	NUMBER OF SHARES	%
1.	Hennfa Investments Pte Ltd	79,608,000	26.42
2.	Lim Puay Koon	19,308,000	6.41
3.	Lim Boh Chuan	19,306,800	6.41
4.	Lim Kim Thor	16,300,800	5.41
5.	Lim Yee Kim	15,569,200	5.17
6.	Lim Kim Hock	15,135,600	5.02
7.	Estate of Lim Pit Hong @ Lim Geok Hong (Deceased)	12,982,800	4.31
8.	Lim Eng Chong	10,098,000	3.35
9.	United Overseas Bank Nominees Pte Ltd	9,951,800	3.30
10.	Estate of Lim Boon Wan (Deceased)	9,782,400	3.25
11.	Phillip Securities Pte Ltd	5,208,800	1.73
12.	Lim Beo Peng	4,552,000	1.51
13.	DBS Nominees Pte Ltd	4,238,200	1.41
14.	Sin Tien Seng Pte Ltd	2,400,000	0.80
15.	Oversea Chinese Bank Nominees Pte Ltd	2,341,400	0.78
16.	UOB Kay Hian Pte Ltd	2,115,000	0.70
17.	Lim Kok Tiong	1,996,000	0.66
18.	Lim Kok Seng	1,824,000	0.60
19.	Lim Han Leong	1,809,000	0.60
20.	Citibank Nominees Singapore Pte Ltd	900,200	0.30

**SUBSTANTIAL SHAREHOLDERS**

(As recorded in the Register of Substantial Shareholders)

	DIRECT INTEREST	%	DEEMED INTEREST	%
Hennfa Investments Pte Ltd	79,608,000	26.42	–	–
Lim Puay Koon	19,308,000	6.41	79,608,000	26.42
Lim Boh Chuan	19,306,800	6.41	79,608,000	26.42
Lim Yee Kim	15,569,200	5.17	81,308,000	26.99
Lim Kim Thor	16,300,800	5.41	79,728,000	26.46
Lim Kim Hock	15,135,600	5.02	79,608,000	26.42
Estate of Lim Pit Hong	12,982,800	4.31	79,608,000	26.42
@ Lim Geok Hong, Deceased				
Lim Eng Chong	10,098,000	3.35	79,608,000	26.42
Estate of Lim Boon Wan, Deceased	9,782,400	3.25	79,608,000	26.42
Lim Kok Wah	490,000	0.16	83,569,000	27.90
Lim Kok Tiong	1,996,000	0.66	79,608,000	26.42
Lim Tian Siong Enterprise Pte Ltd	–	–	79,608,000	26.42
Machotech Pte Ltd	–	–	79,608,000	26.42
Pey Choi	–	–	79,608,000	26.42

**NOTES:**

1. The late Mr Lim Boon Wan was the father of Messrs Lim Kim Hock, Lim Kim Thor and Lim Eng Chong. The late Mr Lim Boon Wan is the uncle of the late Mr Lim Pit Hong and Mr Lim Yee Kim. He is also the grand uncle of Messrs Lim Boh Chuan and Lim Puay Koon.
2. Messrs Lim Boh Chuan and Lim Puay Koon are brothers.
3. Mr Lim Yee Kim is the father of Messrs Lim Kok Wah and Lim Kok Tiong.
4. The directors of Hennfa Investments Pte Ltd are Messrs Lim Kim Thor, Lim Boh Chuan, Lim Yee Kim and Lim Eng Chong. Messrs Lim Kim Thor, Lim Kim Hock and Lim Eng Chong have an aggregate shareholding of 38.27% of the shares in Hennfa Investments Pte Ltd. Accordingly, by virtue of Section 7 of the Companies Act, Messrs Lim Kim Thor, Lim Kim Hock and Lim Eng Chong are deemed to have an interest in the shares of the Company held by Hennfa Investments Pte Ltd. Further, by virtue of Section 7 of the Companies Act, the late Mr Lim Boon Wan, being the father of Messrs Lim Kim Hock, Lim Kim Thor, Lim Eng Chong, is considered their associate and is deemed to have an interest in the shares of the Company held by Hennfa Investments Pte Ltd.
5. Machotech Pte Ltd holds 23.54% of the voting shares in Hennfa Investments Pte Ltd. The directors of Machotech Pte Ltd are Mr Lim Yee Kim, his wife, Madam Pey Choi and his sons Messrs Lim Kok Wah and Lim Kok Tiong. Messrs Lim Yee Kim, Lim Kok Wah, Lim Kok Tiong and Madam Pey Choi have an aggregate shareholding of 85.71% of the issued ordinary shares in Machotech Pte Ltd. Mr Lim Yee Kim and Madam Pey Choi hold 100% of the issued preference shares in Machotech Pte Ltd. Accordingly, by virtue of Section 7 of the Companies Act, Machotech Pte Ltd, Lim Yee Kim, Pey Choi, Lim Kok Wah and Lim Kok Tiong are deemed to have an interest the shares of the Company held by Hennfa Investments Pte Ltd by virtue of their shareholding in Machotech Pte Ltd.
6. Lim Tian Siong Enterprise Pte Ltd holds 21.74% of the voting shares in Hennfa Investments Pte Ltd. The directors of Lim Tiang Siong Enterprise Pte Ltd are Messrs Lim Boh Chuan and Lim Puay Koon where each holds 50% of the shares in Lim Tiang Siong Enterprise Pte Ltd. By virtue of Section 7 of the Companies Act, Lim Tiang Siong Enterprise Pte Ltd, Lim Boh Chuan and Lim Puay Koon are deemed to have an interest in the shares of the Company held by Hennfa Investments Pte Ltd.
7. Mr Lim Yee Kim and the late Mr Lim Pit Hong are brothers. As such, by virtue of Section 7 of the Companies Act, the late Mr Lim Pit Hong is considered an associate of Mr Lim Yee Kim and is deemed to have an interest in the shares of the Company held by Hennfa Investments Pte Ltd by virtue of the fact that Mr Lim Yee Kim has a deemed interest in Hennfa Investments Pte Ltd through his shareholding in Machotech Pte Ltd (as indicated in note 5 above).

**PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS**

29.31% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

**HUP SENG HUAT CO. LTD**

Company Registration Number: 197301452D  
(Incorporated in Singapore with Limited Liability)

**NOTICE OF ELEVENTH ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the Eleventh Annual General Meeting of Hup Seng Huat Co. Ltd (“the Company”) will be held at 116 Neythal Road Singapore 628603 on Tuesday, 23 November 2004 at 2.30 p.m. for the following purposes:

**AS ORDINARY BUSINESS**

1. To receive and adopt the Directors’ Report and the Audited Financial Statements of the Company for the year ended 31 July 2004 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To declare a first and final dividend of 5% less income tax at 20% for the year ended 31 July 2004 (2003: 5%). **(Resolution 2)**
3. To declare a special dividend of 10% less income tax at 20% for the year ended 31 July 2004. **(Resolution 3)**
4. To re-elect Mr Ong Kian Min as Director under Article 87 of the Company’s Articles of Association. **(Resolution 4)**

*Mr Ong Kian Min will, upon re-election as Director of the Company, remain as a member of the Remuneration Committee. He is an Independent Director of the Company.*

5. To re-elect the following Directors retiring pursuant to Article 88 of the Company’s Articles of Association:

Mr Lim Eng Chong  
Mr Lim Beo Peng

**(Resolution 5)**  
**(Resolution 6)**

*Mr Lim Eng Chong will, upon re-election as Director of the Company, remain as a member of the Nominating and Remuneration Committee. He is a Non-Executive Director.*

*Mr Lim Beo Peng will, upon re-election as Director of the Company, remain as a member of the Executive and Integration Committee. He is an Executive Director.*

6. To note the retirement of Mr Chua Hoo Tai, a Director retiring under Article 88 of the Company’s Articles of Association who would not be seeking re-election.

*Upon the retirement of Mr Chua Hoo Tai, he will be relinquishing his position as Chairman of the Integration Committee and a member of the Audit and Remuneration Committee.*

7. To pass the following resolution pursuant to Section 153(6) of the Companies Act, Cap. 50:-

“That pursuant to Section 153(6) of the Companies Act, Cap. 50, Mr Tang See Chim who is over seventy years of age be re-appointed as Director of the Company to hold office until the next Annual General Meeting.” **(Resolution 7)**

*Mr Tang See Chim will, upon re-election as a Director of the Company, remain as Chairman of the Remuneration and Audit Committee and a member of the Nominating Committee. He is considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST Listing Manual”).*

8. To re-appoint Messrs PricewaterhouseCoopers as the Company’s Auditors and to authorise the Directors to fix their remuneration. **(Resolution 8)**
9. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

**AS SPECIAL BUSINESS**

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

10. To approve the payment of Directors' fees of S\$265,750 for the year ended 31 July 2004 (2003: S\$196,000). **(Resolution 9)**

11. **Authority to allot and issue shares up to 50 per centum (50%) of issued share capital**

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors be empowered to allot and issue shares and convertible securities in the capital of the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares (including shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Resolution) to be allotted and issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the issued share capital of the Company at the time of the passing of this Resolution, of which the aggregate number of shares and convertible securities to be issued other than on a pro rata basis to all shareholders of the Company shall not exceed twenty per centum (20%) of the issued share capital of the Company and that such authority shall, unless revoked or varied by the Company in general meeting, continue in force (i) until the conclusion of the Company's next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of such convertible securities. [See Explanatory Note (i)] **(Resolution 10)**

12. **Authority to allot and issue shares under the Hup Seng Huat Employees' Share Option Scheme**

That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors be authorised and empowered to allot and issue shares in the capital of the Company to all the holders of options granted by the Company, whether granted during the subsistence of this authority or otherwise, under the Hup Seng Huat Employees' Share Option Scheme ("the Scheme") upon the exercise of such options and in accordance with the terms and conditions of the Scheme, provided always that the aggregate number of additional ordinary shares to be allotted and issued pursuant to the Scheme shall not exceed five per centum (5%) of the issued share capital of the Company from time to time. [See Explanatory Note (ii)] **(Resolution 11)**

By Order of the Board

Tan Cher Liang  
Julie Koh Ngin Joo  
Secretaries

Singapore,  
3 November 2004

# NOTICE OF ELEVENTH ANNUAL GENERAL MEETING

## Explanatory Notes:

- (i) The Ordinary Resolution 10 proposed in item 11 above, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held or when varied or revoked by the Company in general meeting, whichever is earlier, to allot and issue shares and convertible securities in the Company. The number of shares and convertible securities that the Directors may allot and issue under this Resolution would not exceed fifty per centum (50%) of the issued capital of the Company at the time of the passing of this resolution. For issue of shares and convertible securities other than on a pro rata basis to all shareholders, the aggregate number of shares and convertible securities to be issued shall not exceed twenty per centum (20%) of the issued capital of the Company.

For the purpose of this resolution, the percentage of issued capital is based on the Company's issued capital at the time this proposed Ordinary Resolution is passed after adjusting for (a) new shares arising from the conversion of convertible securities or employee share options on issue when this proposed Ordinary Resolution is passed and (b) any subsequent consolidation or subdivision of shares.

- (ii) The Ordinary Resolution 11 proposed in item 12 above, if passed, will empower the Directors of the Company, from the date of the above Meeting until the next Annual General Meeting, to allot and issue shares in the Company of up to a number not exceeding in total five per centum (5%) of the issued share capital of the Company from time to time pursuant to the exercise of the options under the Scheme.

## Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint a proxy to attend and vote in his/her/its stead. A proxy need not be a Member of the Company.
2. If the appointor is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.
3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 10 Collyer Quay #19-08 Ocean Building Singapore 049315 not less than 48 hours before the time appointed for holding the Meeting.

## NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATE

**NOTICE IS HEREBY GIVEN** that the Share Transfer Books and Register of Members of Hup Seng Huat Co. Ltd (the "Company") will be closed on 8 December 2004 for the preparation of dividend warrants.

Duly completed registrable transfers received by the Company's Share Registrar, Barbinder & Co Pte Ltd, 8 Cross Street #11-00, PWC Building, Singapore 048424 up to 5.00 p.m. on 7 December 2004 will be registered to determine shareholders' entitlements to the said dividend. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 7 December 2004 will be entitled to the proposed dividend.

Payment of the dividend, if approved by the members at the Eleventh Annual General Meeting to be held on 23 November 2004 will be made on 28 December 2004.

# PROXY FORM

(Please see notes overleaf before completing this Form)

## HUP SENG HUAT CO. LTD

Company Registration Number: 197301452D  
(Incorporated in Singapore with Limited Liability)

I/We, \_\_\_\_\_

of \_\_\_\_\_

being a member/members of Hup Seng Huat Co. Ltd (the "Company"), hereby appoint:

NAME	NRIC/PASSPORT NO.	PROPORTION OF SHAREHOLDINGS	
		NO. OF SHARES	%
ADDRESS			

and/or (delete as appropriate)

NAME	NRIC/PASSPORT NO.	PROPORTION OF SHAREHOLDINGS	
		NO. OF SHARES	%
ADDRESS			

or failing him/her, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Eleventh Annual General Meeting (the "Meeting") of the Company to be held on Tuesday, 23 November 2004 at 2.30 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or/against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

(Please indicate your vote "For" or "Against" with a tick [✓] with the box provided.)

NO.	RESOLUTIONS RELATING TO:	FOR	AGAINST
1	Directors' Report and Audited Financial Statements for the year ended 31 July 2004.		
2	Payment of proposed first & final dividend.		
3	Payment of proposed special dividend.		
4	Re-election of Mr Ong Kian Min as Director under Article 87 of the Company's Articles of Association.		
5	Re-election of Mr Lim Eng Chong as Director under Article 88 of the Company's Articles of Association.		
6	Re-election of Mr Lim Beo Peng as Director under Article 88 of the Company's Articles of Association.		
7	Re-election of Mr Tang See Chim as Director pursuant to Section 156(3) of the Companies Act, Cap. 50.		
8	Re-appointment of PricewaterhouseCoopers as Auditors.		
9	Approval of Directors' fees amounting to S\$265,750 for the year ended 31 July 2004.		
10	Authority to allot and issue new shares.		
11	Authority to allot and issue shares under the Hup Seng Huat Employees' Share Option Scheme.		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2004

TOTAL NUMBER OF SHARES IN:	NO. OF SHARES
(a) CDP Register	
(b) Register of Members	

\_\_\_\_\_  
Signature of Shareholder(s)  
or, Common Seal of Corporate Shareholder



**Notes:**

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 10 Collyer Quay #19-08 Ocean Building Singapore 049315 not less than 48 hours before the time appointed for the Meeting.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.
6. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

**General:**

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.