

HITCHINS GROUP LTD

FULL YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT

PART 1 - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1,Q2 & Q3),
HALF-YEAR AND FULL YEAR RESULTS

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

Unaudited Consolidated Profit and Loss Accounts for the Year Ended 30 June 2006

	The Group		
	30/06/06	30/06/05	%
	\$	\$	+ / (-)
Revenue	11,708,761	10,103,057	15.89%
Cost of sales	(7,853,325)	(6,200,580)	26.65%
Gross profit	3,855,436	3,902,477	-1.21%
Other operating income	24,859	162,572	-84.71%
Finance expenses	(210,641)	(409,672)	-48.58%
Distribution expenses	(1,513,840)	(1,667,600)	-9.22%
Administrative expenses	(2,409,236)	(2,409,909)	-0.03%
Other charges	(32,068)	(61,912)	-48.20%
Loss before tax	(285,490)	(484,044)	-41.02%
Income tax credit / (expense)	91,795	(45,190)	NM
Loss for the year	(193,695)	(529,234)	-63.40%

1(a) (ii) Notes to profit and loss statement	The Group		
	30/06/06	30/06/05	%
	\$	\$	+ / (-)
Other operating income:			
Sundry income	23,957	150,022	-84.03%
Government grant / subsidies	902	6,550	-86.23%
Management fee income	-	6,000	-100.00%
	24,859	162,572	-84.71%
Finance income / (expenses):			
Interest expense:			
- hire purchase	(20,508)	(4,381)	368.13%
- OD Interest	(49,836)	(44,761)	11.34%
- T/R	(10,450)	(22,534)	-53.63%
Total interest expense	(80,794)	(71,676)	12.72%
Bad debts written off:			
- trade	(832)	(11,346)	-92.67%
- non-trade	(338)	(7,800)	-95.67%
- related cos (non-trade)	-	(87,861)	NM
Foreign exchange loss	(32,146)	(14,231)	125.88%
Loss on disposal of other investment	(1,222)	-	100.00%
Provision for impairment on trade receivables	(191,383)	(449,091)	-57.38%
Provision for diminution in value of investment from quoted cor	-	(4,415)	-100.00%
Total finance expense	(306,715)	(646,420)	-52.55%
Interest income:			
- fixed deposits	20,599	13,641	51.01%
Total interest income	20,599	13,641	51.01%
Bad debts recovered	-	10,000	-100.00%
Gross dividend income from quoted corporations	-	420	-100.00%
Gain on foreign exchange	16,949	52,750	-67.87%
Gain on disposal of investment from quoted corporations	708	-	NM
Provision for impairment on trade receivables written back	57,818	159,937	-63.85%
Total finance income	96,074	236,748	-59.42%
Net finance income (expenses)	(210,641)	(409,672)	-48.58%
The loss before income tax is arrived at after crediting and (charging):			
Non audit fees paid to:			
-auditors of the company	(8,200)	(8,200)	0.00%
Depreciation of fixed assets	(365,382)	(376,393)	-2.93%
Directors' fees	(91,589)	(81,575)	12.28%
Inventories written off	(2,964)	(34,628)	-91.44%
Inventories written down to net realisable value	(11,334)	-	-100.00%
Operating lease expenses	(244,679)	(263,028)	-6.98%
Professional fee paid to a firm in which a director was a member	(13,967)	(17,933)	-22.12%
Provision for warranty (net)	(56,481)	(70,777)	-20.20%
Gain / (loss) on disposal of fixed assets (net)	4,962	(3,994)	-224.22%

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of immediately preceding financial year.

Unaudited Balance Sheets

	Group		Company	
	30/06/06 \$	30/06/05 \$	30/06/06 \$	30/06/05 \$
ASSETS				
Non-current assets:				
Investment in associates	-	-	-	-
Investment in subsidiaries	-	-	3,021,821	3,021,821
Property, plant and equipment	1,013,896	1,284,625	151,036	269,962
Deferred tax assets	11,540	11,839	-	-
Other financial assets	-	16,395	-	14,625
Total non-current assets	1,025,436	1,312,859	3,172,857	3,306,408
Current assets:				
Cash and bank balances	1,704,337	1,522,644	313,879	308,817
Trade and other receivables	6,740,356	6,149,550	1,753,615	1,486,355
Inventories and contract work-in-progress	949,482	1,164,643	-	2,954
Total current assets	9,394,175	8,836,837	2,067,494	1,798,126
Total assets	10,419,611	10,149,696	5,240,351	5,104,534
LIABILITIES AND EQUITY				
Current liabilities:				
Short-term borrowings	903,598	800,271	678,430	585,951
Trade and other payables	4,216,564	3,663,129	1,486,741	1,390,669
Current tax payable	129,834	54,962	45,100	-
Current portion of long-term borrowings	109,250	113,127	42,241	44,402
Total current liabilities	5,359,246	4,631,489	2,252,512	2,021,022
Non-current liabilities:				
Deferred tax	46,656	98,473	-	-
Long-term borrowings	167,273	266,485	110,988	153,229
Total non-current liabilities	213,929	364,958	110,988	153,229
Capital and reserves:				
Share capital	4,311,012	4,311,012	4,311,012	4,311,012
Other Reserves	(338,257)	(247,240)	-	-
Retained earnings / (accumulated losses)	873,681	1,089,477	(1,434,161)	(1,380,729)
Total equity	4,846,436	5,153,249	2,876,851	2,930,283
Total liabilities and equity	10,419,611	10,149,696	5,240,351	5,104,534

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

Amount repayable in one year or less, or on demand	30/6/06		30/6/05	
	Secured \$	Unsecured \$	Secured \$	Unsecured \$
	1,012,848	-	913,398	-

Amount repayable after one year	30/6/06		30/6/05	
	Secured \$	Unsecured \$	Secured \$	Unsecured \$
	167,273	-	266,485	-

Details of any collateral

- The bank overdrafts are secured on the following:-
Fixed deposits of the company and another subsidiary amounting to S\$633,200 (30/06/05: S\$626,542)
- Property, plant and equipment with carrying amount of S\$225,764 (30/06/05: S\$348,238) were acquired under finance lease agreements.

- 1 (c) A cash flow statement (for the group) together with a comparable statement for the corresponding period of the immediately preceding financial year.

Unaudited Consolidated Statement of Cash Flows for the Year Ended 30 June 2006

	The Group	
	30/06/06 \$	30/06/05 \$
Cash flows from operating activities:		
Loss for the year	(193,695)	(529,234)
Adjustment for:		
Income tax (credit) / expenses	(91,795)	45,190
Changes in fair values of other financial assets	-	4,415
Depreciation expenses	365,382	376,393
Dividend income	-	(420)
Interest expense	80,794	71,676
Interest income	(20,599)	(13,641)
(Gain) / loss on disposal of plant and equipment	(4,962)	3,994
Loss on disposal of other investment	514	-
Operating profit / (loss) before working capital changes	135,639	(41,627)
Changes in working capital:		
Trade and other receivables	(398,807)	828,529
Inventories	215,161	(152,399)
Trade and other payables	553,434	(727,381)
Cash generated from/(used in) operations	505,427	(92,878)
Income tax paid	(73,064)	(52,206)
Net cash from / (used in) operating activities	432,363	(145,084)
Cash flows from investing activities:		
Interest received	20,599	13,641
Dividend received	-	420
Proceeds from disposal of other financial assets	15,881	-
Proceeds from disposal of plant and equipment	14,308	8,972
Purchase of other financial assets	-	(12,635)
Purchase of plant and equipment	(99,608)	(75,208)
Net cash used in investing activities	(48,820)	(64,810)
Cash flows from financing activities:		
Interest paid	(80,794)	(71,676)
Increase in short-term borrowings	27,562	45,926
Decrease in finance lease	(121,089)	(112,830)
Increase in cash and cash equivalent (restricted in use)	(6,658)	(312,542)
Net cash used in financing activities	(180,979)	(451,122)
Net effect of exchange rate changes in consolidating foreign subs	(83,205)	(30,082)
Net increase / (decrease) in cash and cash equivalents	119,359	(691,098)
Cash and cash equivalents at the beginning of year	196,580	907,111
Effect of exchange rate changes	(20,090)	(19,433)
Cash and cash equivalents at end of year	295,849	196,580

(A) For the purpose of the consolidated cash flow statement the cash and cash equivalent at the year ended comprises of the following:-

	The Group	
	30/06/06 S\$	30/06/05 S\$
Cash and cash equivalents:		
Fixed deposits	645,225	638,493
Cash and bank balance	1,059,111	884,151
Bank overdraft	(775,287)	(699,522)
	929,050	823,122
Fixed deposits pledge	(633,200)	(626,542)
Cash and cash equivalents at end of year	295,849	196,580

- 1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Unaudited Statement of Changes in Equity for the Financial Period Ended 30 June 2006

Group

	#Share capital	Statutory reserve	Currency translation reserve	Accumulated profit / (loss)	Total
	S\$	S\$	S\$	S\$	S\$
Balance as at 30 June 2004	4,311,012	192,249	(443,257)	1,689,240	5,749,244
Translation reserve - foreign subsidiaries			(66,761)		(66,761)
Transfer to statutory reserves	-	70,529		(70,529)	-
Net loss for the year	-	-	-	(529,234)	(529,234)
Balance as at 30 June 2005	4,311,012	262,778	(510,018)	1,089,477	5,153,249
Translation reserve - foreign subsidiaries			(113,118)		(113,118)
Transfer to statutory reserves	-	22,101		(22,101)	-
Net loss for the year	-	-	-	(193,695)	(193,695)
Balance as at 30 June 2006	4,311,012	284,879	(623,136)	873,681	4,846,436

Company

	#Share capital	Statutory reserve	Currency translation reserve	Accumulated profit/(loss)	Total
	S\$	S\$	S\$	S\$	S\$
Balance as at 30 June 2004	4,311,012	-	-	(1,349,294)	2,961,718
Net loss for the year	-	-	-	(31,435)	(31,435)
Balance as at 30 June 2005	4,311,012	-	-	(1,380,729)	2,930,283
Net profit for the year	-	-	-	(53,432)	(53,432)
Balance as at 30 June 2006	4,311,012	-	-	(1,434,161)	2,876,851

With the changes to the Companies Act, Cap 50, effective from 30 January 2006, there is no authorised capital, par value for the share and share premium account. The company had a share premium account balance of S\$3,335,012 as at 30 June 2006. This amount has now been included in issued capitals as required by the changes to the Companies Act.

- 1d(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

During the financial year ended 30 June 2006, no ordinary shares were issued pursuant to the exercise of option granted to employees under the Hitchens Employees' Share Option Scheme (the "Scheme").

As at 30 June 2006, there were 4,525,000 unexercised options for unissued ordinary shares under the Scheme

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

The figures have not been audited nor reviewed.

- 3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not Applicable

- 4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has applied the same accounting policies and methods of computation in the financial statements for the current period as compared with the audited financial statements for the year ended 30 June 2005 except for the adoption of the new and revised Financial Reporting Standards (FRS) that have become effective from 1 January 2005.

- 5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with current year's financial statements. The adoption of FRS as mentioned under paragraph 4 have not resulted in any material impact on the Group's financial statement for the year ended 30 June 2006.

6 Loss per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Current period 30/06/06	Previous Corresponding Period 30/06/05
(a) Based on the number of ordinary shares on issue; and	(0.18) cents	(0.49) cents
(b) On a fully diluted basis	(0.18) cents	(0.49) cents

(a) Basic losses per ordinary share has been calculated based on the number of ordinary shares of 108,600,000 (2005:108,600,000) shares

(b) Diluted losses per ordinary share has been calculated based on the weighted average number of 108,600,000 ordinary shares (2005: Based on weighted average number of 108,672,355 ordinary shares)

7 Net asset value (for the issuer and group) per ordinary shares based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year.

	Group		Company	
	30/06/06 Cents	30/06/05 Cents	30/06/06 Cents	30/06/05 Cents
Net asset value per ordinary share based on the issued share capital at the end of the year	4.46	4.75	2.65	2.70

Net asset value per ordinary share has been calculated based on 108,600,000 shares

8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

The Group's overall revenue increased by 15.89% or \$1.61 mil from \$10.10 mil in FY2005 to \$11.71 mil in FY2006. Manufacturing and Sales revenue from external customer increased by 16.83% or \$0.74 mil from S\$4.36 mil in FY2005 to S\$5.10 mil in FY2006. Whereas, installation revenue from external customers increased by 15.18% or \$0.87 mil from \$5.74 mil in FY2005 to \$6.61 mil in FY2006.

The Group's overall revenue by geographical segment from Singapore and the region shown a significant improvement of 15.88% or \$1.13 mil over FY2005, mainly from the installation business segment. The revenue from the People's Republic of China and Malaysia has increased by 30.79% or \$0.44mil and 2.35% or \$0.04mil respectively.

The Group's full year gross profit decreased by 1.21% or \$ 0.04 mil, from \$3.90mil in FY2005 to \$3.86mil in FY2006. Whereas, the year on year gross margin decreased by 5.7% from 38.63% in FY2005 to 32.92% in FY2006 due to the overall increase in installation business segment's material and subcontractor's cost of sales.

Other operating income decreased by 84.71% or \$0.14 mil, from \$0.16 mil in FY2005 to \$0.02 mil in FY2006. The decrease was mainly due to a one time income received from surrendering of key man insurance policy in FY2005.

Finance expenses decreased by \$0.20 mil or 48.58% from \$0.41 mil in FY2005 to \$0.21 mil in FY2006, the decrease was mainly due to the reduction in provision for impairment on trade receivables.

Distribution expenses decreased by 8.17% or \$0.16 mil from \$1.67 mil in FY2005 to \$1.51 mil in FY2006, mainly due to the decrease in sales commission paid during the year in the People's Republic of China.

Administrative expenses remains relatively the same for both financial year.

Other charges decreased mainly due to reduction in inventories written-off.

The Group's loss before tax decreased by \$0.19 mil, from loss of \$0.48 mil in FY2005 to \$0.29mil in FY2006 and loss after tax decreased by \$0.34 mil or 63.40%, from \$0.53 mil in FY2005 to \$0.19 mil in FY2006.

The basic losses per share of the Group decreased from (0.49) cents in FY2005 to (0.18) cents in FY2006. The Group's net asset value decreased from 4.75 cents to 4.46 cents.

Balance Sheet and Cashflows

Non-Current Assets

Reduction in consolidation non-current assets was mainly due to depreciation for the year ended 30 June 2006.

Current Assets

Trade receivables increased was mainly from our China operation in line with its overall increase in revenue.

Whereas, the increase in other receivables was due to refundable tax credits and prepayment on professional fees for the year ended 30 June 2006.

Current Liabilities

The increase in payables was due to increase in material purchase for contract manufacturing in tandem with the overall increase in revenue.

Non-Current Liabilities

The reduction of non current liabilities was mainly due to repayment of interest bearing loan and write back on over provision of deferred tax liabilities.

Cashflow

The Group's net cash from operating activities improved to \$0.43 mil in FY 2006, mainly due to better inventory and trade debtors turnover.

The net cash used in investing activities remains relatively unchanged.

The overall Group's cash and cash equivalents in FY2006 improved from \$0.20 mil to \$0.30 mil.

9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable

10 A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Group engages in the manufacturing and distribution of specialised building chemicals used in the protection of buildings and infrastructures within the construction and building maintenance industry.

The Group also operates in 3 geographically segmented markets including Singapore and the region, Malaysia and PRC.

Singapore (including regional markets)

The building and construction industry in Singapore has shown a positive growth in the last quarter and with the recent launches of new development projects, it is reasonably expected that the current market conditions will improve subject to unforeseen circumstances.

Our Group will continue to focus on expanding our regional market coverage in Asia as well as the Middle East and we would expect our strategic partnership in U.A.E. as well as the deployment of a full-time marketing engineer based over there to enhance our sales from the regional markets.

Malaysia

With the recent unveiling and implementation of the 9th Malaysia Plan, we can expect a revenue stream from the public sector to complement our existing dependence on private developments.

PRC

The building and construction industry in PRC remains highly competitive and we will continue to focus on selective projects especially through repeated clients such as the Shanghai Construction Group, the Hutchinson Whampao and Shui On Group. Our PRC operation was awarded the certification for ISO 140001 for Environment Management Systems which will enhance our competitive edge in providing our services and products to the more discerning customers.

11 Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? No.

Name of Dividend:

Dividend Type:

Dividend Rate:

Par value of Shares:

Tax Rate:

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? No

Name of Dividend:

Dividend Type:

Dividend Rate:

Par value of Shares:

Tax Rate:

(c) Date payable: Not Applicable

(d) Books closure date: Not Applicable

12 If no dividend has been declared/recommended, a statement to that effect.

No dividend has been recommended for the financial year ended 30 June 2006

Part II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1,Q2, Q3 or Half Year Results)

13 Segmented revenue and results for the business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

(a) Business Segments

2006

Revenue and Expenses:	Manufacturing	Installation	Elimination	Total
	& Sales			
	\$	\$	\$	\$
External revenue	5,094,517	6,614,244	-	11,708,761
Inter-segment revenue	2,629,711	322,949	(2,952,660)	-
Total Revenue	7,724,228	6,937,193	(2,952,660)	11,708,761
Segment results	260,834	516,663		777,497
Unallocated expenses				(982,193)
Loss from operation				(204,696)
Interest expense				(80,794)
Loss before income tax				(285,490)
Income tax expenses				91,795
Loss after tax				(193,695)
Assets and liabilities:				
Segment assets	5,368,147	5,039,924		10,408,071
Segment liabilities	3,997,838	1,398,847		5,396,685
Capital expenditure	87,856	33,013		120,869
Depreciation	284,773	80,609		365,382
Provision for warranty	(21,834)	78,315		56,481

2005

Revenue and Expenses:	Manufacturing	Installation	Elimination	Total
	& Sales			
	\$	\$	\$	\$
External revenue	4,360,628	5,742,429	-	10,103,057
Inter-segment revenue	2,224,415	240,009	(2,464,424)	-
Total Revenue	6,585,043	5,982,438	(2,464,424)	10,103,057
Segment results	(137,011)	970,606		833,595
Unallocated expenses				(1,245,963)
Loss from operation				(412,368)
Interest expense				(71,676)
Loss before income tax				(484,044)
Income tax expenses				(45,190)
Loss after tax				(529,234)
Assets and liabilities:				
Segment assets	5,133,288	5,004,570		10,137,858
Segment liabilities	3,249,276	1,593,737		4,843,013
Capital expenditure	80,992	29,102		110,094
Depreciation	284,935	91,458		376,393
Provision for warranty	26,213	44,564		70,777

2006

Geographical Segment	Singapore & other regions	Malaysia	PRC	Total
	\$	\$	\$	\$
External Revenue	8,269,539	1,586,397	1,852,825	11,708,761
Segment Assets	5,208,428	2,365,588	2,834,055	10,408,071
Capital expenditure	62,093	17,347	41,429	120,869

2005

Geographical Segment	Singapore & Other region	Malaysia	PRC	Total
	\$	\$	\$	\$
External Revenue	7,136,377	1,550,026	1,416,654	10,103,057
Segment Assets	5,354,293	2,112,656	2,670,909	10,137,858
Capital expenditure	76,718	7,865	25,511	110,094

14 In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographic segments.

See paragraph 8

15 A breakdown of sales.

	Latest Financial Year \$	Previous Financial Year \$	Increase / (decrease) %
Revenue reported for first half year	6,277,273	4,733,025	32.63%
Operating profit after tax before minority interest reported for first half year.	135,144	73,495	83.88%
Revenue reported for second half year	5,431,488	5,370,032	1.14%
Operating loss after tax before minority interest reported for second half year	(328,839)	(602,729)	-45.44%
Loss for the year	(193,695)	(529,234)	-63.40%

NM = Not Meaningful

16 A breakdown of total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

Not Applicable

BY ORDER OF THE BOARD

Wong Seong Khuen
Managing Director
29 August 2006