

HITCHINS GROUP LTD

HALF YEAR UNAUDITED FINANCIAL STATEMENT ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 31 DEC 2005

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

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

	The Group		
	For the 6 month ended		
	31/12/2005 S\$	31/12/2004 S\$	% +/(-)
Revenue	6,277,273	4,733,025	32.63%
Cost of sales	(4,154,669)	(2,743,838)	51.42%
Gross profit	2,122,604	1,989,187	6.71%
Other operating income	29,480	127,429	-76.87%
Distribution expenses	(637,329)	(590,623)	7.91%
Administrative expenses	(1,143,693)	(1,168,060)	-2.09%
Other operating expenses	(142,994)	(151,366)	-5.53%
<b>Profit from operations</b>	<b>228,068</b>	<b>206,567</b>	<b>10.41%</b>
Finance Cost	(124,144)	(68,289)	81.79%
<b>Profit from ordinary activities before taxation</b>	<b>103,924</b>	<b>138,278</b>	<b>-24.84%</b>
Income tax expenses	31,220	(64,783)	NM
<b>Net Profit for the financial period</b>	<b>135,144</b>	<b>73,495</b>	<b>83.88%</b>

- 1 (a)(ii) Notes to the profit and loss statement

**Other operating income:**

Profit on disposal of fixed assets	13,367	-	100.00%
Provision for warranty written back	-	18,292	-100.00%
Rental Income	-	6,000	-100.00%
Sundry Income	16,113	103,137	-84.38%
	29,480	127,429	-76.87%

	The Group		
	For the 6 month ended		
	31/12/2005 S\$	31/12/2004 S\$	% +/(-)
Profit on disposal of fixed assets	13,367	-	100.00%
Provision for warranty written back	-	18,292	-100.00%
Rental Income	-	6,000	-100.00%
Sundry Income	16,113	103,137	-84.38%
	29,480	127,429	-76.87%

**Finance Income / (Expenses):**

Bad debts recovered	-	2,231	-100.00%
Foreign exchange gain	7,167	31,868	-77.51%
Interest income from fixed deposit	7,551	5,190	45.49%
Provision for impairment on trade receivables written back	31,076	45,212	-31.27%
	45,794	84,501	-45.81%
Bad debts written-off	(6,362)	(87,861)	-92.76%
Interest on borrowings	(40,204)	(35,395)	13.58%
Loss on foreign exchange	(23,372)	(12,297)	90.06%
Provision for impairment on trade receivables	(100,000)	(15,467)	546.54%
Provision for diminution in value of investment	-	(1,770)	-100.00%
	(169,938)	(152,790)	11.22%
	(124,144)	(68,289)	81.79%

Bad debts recovered	-	2,231	-100.00%
Foreign exchange gain	7,167	31,868	-77.51%
Interest income from fixed deposit	7,551	5,190	45.49%
Provision for impairment on trade receivables written back	31,076	45,212	-31.27%
	45,794	84,501	-45.81%
Bad debts written-off	(6,362)	(87,861)	-92.76%
Interest on borrowings	(40,204)	(35,395)	13.58%
Loss on foreign exchange	(23,372)	(12,297)	90.06%
Provision for impairment on trade receivables	(100,000)	(15,467)	546.54%
Provision for diminution in value of investment	-	(1,770)	-100.00%
	(169,938)	(152,790)	11.22%
	(124,144)	(68,289)	81.79%

The profit before taxation is arrived at after crediting and charging the following:-

Depreciation and amortisation	(191,529)	(167,318)	14.47%
Fixed assets written-off	(3,009)	-	NM
Operating lease expenses	(108,855)	(130,586)	-16.64%
Provision for warranty	(39,728)	(30,000)	32.43%
Stock written-off	(2,954)	142	NM

Depreciation and amortisation	(191,529)	(167,318)	14.47%
Fixed assets written-off	(3,009)	-	NM
Operating lease expenses	(108,855)	(130,586)	-16.64%
Provision for warranty	(39,728)	(30,000)	32.43%
Stock written-off	(2,954)	142	NM

NM=Not Meaningful

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	
	31/12/2005 S\$	30/06/2005 S\$	31/12/2005 S\$	30/06/2005 S\$
<b>Non-Current Assets</b>				
Property, plant and equipment	1,180,319	1,284,625	208,827	269,963
Investment in subsidiaries	-	-	1,965,574	1,765,574
Interests in associates	-	-	-	-
Other financial assets	16,395	16,395	14,625	14,625
	1,196,714	1,301,020	2,189,026	2,050,162
<b>Current Assets</b>				
Inventories and contract work-in-progress	1,041,875	1,164,643	-	2,954
Trade and other receivables	6,609,723	6,149,550	3,043,994	2,742,603
Cash and bank balances	1,777,755	1,522,644	308,817	308,817
	9,429,353	8,836,837	3,352,811	3,054,374
Less:				
<b>Current Liabilities</b>				
Trade and other payables	4,081,542	3,663,129	1,854,036	1,390,670
Interest-bearing borrowings	892,959	913,398	622,168	630,353
Current tax payable	74,814	54,962	-	-
	5,049,315	4,631,489	2,476,204	2,021,023
Net current assets	4,380,038	4,205,348	876,607	1,033,351
Less:				
<b>Non-current Liabilities</b>				
Interest-bearing borrowings	219,553	266,485	131,028	153,229
Deferred taxation	45,789	86,634	-	-
	265,342	353,119	131,028	153,229
<b>Net Assets</b>	<b>5,311,410</b>	<b>5,153,249</b>	<b>2,934,605</b>	<b>2,930,284</b>
Capital and Reserves				
Share capital	1,086,000	1,086,000	1,086,000	1,086,000
Reserves	4,225,410	4,067,249	1,848,605	1,844,284
	<b>5,311,410</b>	<b>5,153,249</b>	<b>2,934,605</b>	<b>2,930,284</b>

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

**Amount repayable in one year or less, or on demand**

As at 31/12/05		As at 30/06/05	
Secured	Unsecured	Secured	Unsecured
S\$	S\$	S\$	S\$
892,959	-	913,398	-

**Amount repayable after one year**

As at 31/12/05		As at 30/06/05	
Secured	Unsecured	Secured	Unsecured
S\$	S\$	S\$	S\$
219,553	-	266,485	-

**Details of any collateral**

The Group's secured borrowings refer to the following:

- 1) Overdraft and trade financing
- 2) Hire purchase creditors

The borrowings are secured in different ways, which includes corporate guarantee, pledges of fixed deposits and assets.

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

	<b>The Group</b>	
	<b>For the 6 month ended</b>	
	<b>31/12/2005</b>	<b>31/12/2004</b>
	<b>S\$</b>	<b>S\$</b>
<b>Cash flows from operating activities:</b>		
Profit from ordinary activities before taxation	103,924	138,278
Adjustment for:		
Depreciation of property, plant and equipment	191,528	167,318
Interest income	(7,551)	(5,190)
Interest expense	40,204	35,395
(Gain) on disposal of property, plant and equipment	(13,367)	-
<b>Operating profit before changes in working capital charges</b>	<b>314,738</b>	<b>335,801</b>
<b>Changes in working capital:</b>		
Inventories	122,767	(185,015)
Trade receivables	(374,540)	390,982
Other receivables and prepayments	(35,633)	86,495
Trade and other payables	280,236	(240,863)
Other payables	138,177	(205,324)
Cash generated from operations	445,745	182,076
Interest received	7,551	5,190
Interest paid	(40,204)	(35,395)
Income tax paid	(36,772)	(164,905)
<b>Cash flows generated from (used in) operating activities</b>	<b>376,320</b>	<b>(13,034)</b>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of property, plant and equipment	17,308	-
Purchase of other financial assets	-	(2,360)
Purchase of property, plant and equipment	(64,497)	(53,517)
<b>Net cash used in investing activities</b>	<b>(47,189)</b>	<b>(55,877)</b>
<b>Cash flows from financing activities:</b>		
Increase / (decrease) in short-term borrowings	114	(7,566)
Decrease in finance lease	(69,144)	(59,186)
<b>Net cash used in financing activities</b>	<b>(69,030)</b>	<b>(66,752)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>260,101</b>	<b>(135,663)</b>
Cash and cash equivalents at the beginning of the period	196,580	907,111
Effect of exchange rate changes	17,642	(177,379)
<b>Cash and cash equivalents at end of the period</b>	<b>474,323</b>	<b>594,069</b>

(A) For the purpose of the consolidated cash flow statement the cash and cash equivalent at the period ended 31 December 2005 comprises of the following:-

	<b>The Group</b>	
	<b>31/12/2005</b>	<b>31/12/2004</b>
	<b>S\$</b>	<b>S\$</b>
<b>Cash and cash equivalents:</b>		
Fixed deposits	636,279	620,417
Cash and bank balance	1,141,476	988,252
Bank overdraft	(679,104)	(700,600)
	1,098,651	908,069
Fixed deposits pledge	(624,328)	(314,000)
	474,323	594,069

- 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 31 Dec 2005**

**Group**

	Share capital	Share premium	Statutory reserve	Currency translation reserve	Accumulated profit	Total
	S\$	S\$	S\$	S\$	S\$	S\$
Balance as at 1 July 2004	1,086,000	3,225,012	192,249	(443,257)	1,690,360	5,750,364
Translation reserve - foreign subsidiaries	-	-	-	(207,123)	-	(207,123)
Net profit for the period	-	-	-	-	73,495	73,495
Balance as at 31 December 2004	1,086,000	3,225,012	192,249	(650,380)	1,763,855	5,616,736
Balance as at 1 July 2005	1,086,000	3,225,012	262,778	(510,018)	1,089,477	5,153,249
Translation reserve - foreign subsidiaries	-	-	-	23,017	-	23,017
Net profit for the period	-	-	-	-	135,144	135,144
Balance as at 31 December 2005	1,086,000	3,225,012	262,778	(487,001)	1,224,621	5,311,410

**Company**

	Share capital	Share premium	Statutory reserve	Currency translation reserve	Accumulated profit	Total
	S\$	S\$	S\$	S\$	S\$	S\$
Balance as at 1 July 2004	1,086,000	3,225,012	-	-	(1,349,294)	2,961,718
Net loss for the period	-	-	-	-	(576,991)	(576,991)
Balance as at 31 December 2004	1,086,000	3,225,012	-	-	(1,926,285)	2,384,727
Balance as at 1 July 2005	1,086,000	3,225,012	-	-	(1,380,728)	2,930,284
Net profit for the period	-	-	-	-	4,321	4,321
Balance as at 31 December 2005	1,086,000	3,225,012	-	-	(1,376,407)	2,934,605

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

During the financial period ended 31 December 2005, no ordinary shares of \$0.01 each were issued pursuant to the exercise of option granted to employees under the Hitchins Employees' Share Option Scheme (the "Scheme").

As at 31 December 2005, there were 4,525,000 unexercised options for unissued ordinary shares of \$0.01 each 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.**

The adoption of FRS as mentioned under no. 4 above have not resulted in any material impact on the Group's financial statement for the half year ended 31 December 2005.

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

	Current period 31/12/2005	Previous Corresponding Period 31/12/2004
(a) Based on the number of ordinary shares on issue ; and	0.12 cents	0.07 cents
(b) On a fully diluted basis	0.12 cents	0.07 cents

(a) Basic earnings per ordinary share has been calculated based on the weighted average number of fully paid ordinary shares of 108,600,000 (2004:108,600,000) shares of S\$0.01 each.

(b) Diluted earnings per ordinary share has been calculated based on the weighted average number of 108,672,355 (2004:108,640,794) ordinary shares of S\$0.01 each.

**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	
	31/12/2005 Cents	31/12/2004 Cents	31/12/2005 Cents	31/12/2004 Cents
Net asset value per ordinary share based on the issued share capital at the end of the period	4.89	4.75	2.70	2.70

Net asset value per ordinary share has been calculated based on 108,600,000 shares of S\$0.01 each

**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 by activities increased by 32.63% or \$1.54 mil from \$4.73 mil in 1H2005 to \$6.28 mil in 1H2006. The improvement was mainly due to higher revenue generated from our local installation business segment by \$1.5 mil and a slight increase from our manufacturing and sales revenue by \$0.04 mil in 1H2006.

Revenue from Singapore & other region sales, mainly from our installation business segment has shown a significant increase of 42.72% or \$1.34 mil over 1H2005. Revenue from the People's Republic of China and Malaysia have also increased by 17.97% or \$0.16 mil and 6.64% or \$0.04 mil respectively.

The Group's 1H2006 gross profit increased by 6.7% or \$0.13 mil against the 1H2005 results, mainly due to the increase in revenue. However, the Group's year to year gross profit margin has decreased from 42.03% in 1H2005 to 33.80% in 1H2006, mainly due to an overall increase in installation business segment's raw material and subcontractor cost of sales.

Other operating income declined by 76.87% or \$0.10 mil, from \$0.13 mil in 1H2005 to \$0.03 mil in 1H2006. The decline was mainly due to the absence of income from surrendering of key man insurance policy and provision for warranty written back.

All operating and other operating expenses remain relatively unchanged during the financial period ended 31 December 2005.

Finance expenses in 1H2006 increased by \$0.06mil or 81.79% over 1H2005, the increase was mainly due to the decline of foreign exchange gain and the provision for impairment on trade receivables of \$100k arising from a contractor.

The Group's profit before tax has decreased by \$34k, from profit of \$0.14 mil in 1H2005 to \$0.10mil in 1H2006. However profit after tax increased by \$62k or 83.88%, from \$73k in 1H2005 to approximately \$0.14 mil in 1H2006.

The basic earnings per share of the Group increased from 0.07 cents in 1H2005 to 0.12 cents in 1H2006. The Group's net asset value increased by 0.14 cents to 4.89 cents.

#### **Balance Sheet and Cashflows**

##### Non Current Assets

Reduction in consolidated non-current assets was mainly due to depreciation during the financial period ended 31 December 2005.

##### Current Assets

The increase in consolidated current assets was mainly attributed to the increase in trade receivables from our China operation and our local installation business segment as a result of higher revenue. Cash and bank balances also contributed to the increase due to better collections.

##### Current Liabilities

The increase in consolidated current liabilities was mainly due to the increase in trade payable, attributed to the increase in purchases of materials for our installation business segment.

##### Non Current Liabilities

Reduction in consolidated non-current liabilities was mainly due to the repayment of interest bearing borrowings and the write-back of deferred tax during the financial period ended 31 December 2005.

##### Cashflow

The overall Group's cash and cash equivalents in 1H2006 decreased by \$0.12 mil to \$0.47 mil as a result of the increase in fixed deposit pledge for credit facilities with MayBank by our 100% owned subsidiary in Malaysia.

**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 construction industry in Singapore and the other regions in which the Group currently operate is expected to show improvement especially in areas where government-led initiatives will be introduced to promote environmentally friendly and energy efficient products and systems such as roof gardens. The Group is expected to focus our marketing efforts in these areas to grow our current business.

In view of the positive outlook and barring any unforeseen circumstances the Directors are cautiously optimistic that the Group's full year performance will be better than FY 2005.

**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 half-year ended 31 December 2005

**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.**

Not Applicable

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

Not Applicable

**15 A breakdown of sales.**

Not Applicable

**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  
10 February 2006