

HITCHINS GROUP LTD

HALF 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.

Consolidated Profit and Loss Accounts for the Six Months Period Ended 31 December 2004

	The Group		
	31/12/04 \$'000	31/12/03 \$'000	% +/(=)
Revenue	4,733	5,422	-12.71%
Cost of sales	(2,744)	(3,116)	-11.94%
Gross profit	1,989	2,306	-13.75%
Other operating income	109	81	34.57%
Distributing expenses	(558)	(546)	2.20%
Administrative expenses	(1,301)	(1,487)	-12.51%
Other operating expenses	(65)	(213)	-69.48%
Profit from operations	174	141	23.40%
Finance costs	(35)	(31)	12.90%
Share of results of associates	-	-	
Profit from ordinary activities before taxation	139	110	26.36%
Taxation	(65)	(28)	132.14%
Profit from ordinary activities after taxation for the period	74	82	-9.76%

Comparative figures for Other operating income, Other operating expenses and Administrative expenses have been reclassified for 2003 for comparison purpose.

The profit attributable to shareholders is determined after crediting (charging) the following: -

	The Group		
	31/12/04 \$'000	31/12/03 \$'000	% +/(=)
Other income including interest income	103	64	60.94%
Provision for doubtful debts written back	3	7	-57.14%
Bad debts recovered	2	6	-66.67%
Foreign exchange gain / (loss)	1	4	-75.00%
Interest on borrowings	(35)	(31)	12.90%
Depreciation and amortisation	(129)	(139)	-6.87%
Allowance for doubtful debts	(81)	(79)	-22.57%
Income Tax:			
Provision for current tax	103	28	267.86%
(Over) / under provision in prior year	(38)	-	100.00%
	65	28	132.14%

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.

Balance Sheets

	Group		Company	
	31/12/04 \$'000	30/6/04 \$'000	31/12/04 \$'000	30/6/04 \$'000
Non-Current Assets				
Property, plant and equipment	1,476	1,581	332	396
Investment in subsidiaries	-	-	1,366	1,366
Interests in associates	-	-	-	-
Other financial assets - quoted	10	8	8	8
Deferred taxation	20	-	-	-
	<u>1,506</u>	<u>1,589</u>	<u>1,706</u>	<u>1,770</u>
Current Assets				
Inventories and contract work-in-progress	1,197	1,012	6	14
Trade and other receivables	6,500	6,978	3,000	3,732
Cash and cash equivalents	1,609	1,813	306	306
	<u>9,306</u>	<u>9,803</u>	<u>3,312</u>	<u>4,052</u>
Less:				
Current Liabilities				
Trade and other payables	3,712	4,141	1,510	1,729
Obligations under finance leases	103	101	45	44
Interest bearing loans and borrowings	980	896	903	889
Current tax payable	70	50	-	-
	<u>4,865</u>	<u>5,188</u>	<u>2,458</u>	<u>2,662</u>
Net current assets	4,441	4,615	854	1,390
Less:				
Non-current Liabilities				
Obligations under finance leases	331	357	175	198
Deferred taxation	-	98	-	-
	<u>331</u>	<u>455</u>	<u>175</u>	<u>198</u>
Net Assets	<u>5,616</u>	<u>5,749</u>	<u>2,385</u>	<u>2,962</u>
Capital and Reserves				
Share capital	1,086	1,086	1,086	1,086
Reserves	4,530	4,663	1,299	1,876
	<u>5,616</u>	<u>5,749</u>	<u>2,385</u>	<u>2,962</u>

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

Amount repayable in one year or less, or on demand

As at 31/12/04		As at 30/6/04	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
1,083	-	997	-

Amount repayable after one year

As at 31/12/04		As at 30/6/04	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
331	-	357	-

Details of any collateral

- The bank loan is secured by a legal mortgage over one of the subsidiaries' leasehold property with a net book value of S\$ Nil (30/06/2004: S\$52,649)
- The bank overdrafts are secured by the following:-
Fixed deposits of the company and another subsidiary amounting to S\$314,000 (30/06/04: S\$314,000)
- Property, plant and equipment with net book value of S\$414,851 (30/06/04: S\$490,858) were acquired under finance lease agreement.

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

Consolidated Statement of Cash Flows for the Six Months Period Ended 31 December 2004

	The Group	
	31/12/04 \$'000	31/12/03 \$'000
Operating activities:		
Profit from ordinary activities before taxation	138	110
Adjustments for:		
Depreciation of property, plant and equipment	129	139
Interest income	(5)	-
Interest expense	36	31
Provision for Doubtful debts	-	79
Provision for Doubtful debts written back	1	(20)
(Gain) on disposal of property, plant and equipment	-	(9)
Loss on Disposal of club membership	-	10
Operating profit before changes in working capital	299	340
Changes in working capital:		
Inventories	(36)	(24)
Trade and other receivables	225	(583)
Trade and other payables	(580)	(396)
Cash generated from operations	(92)	(663)
Income tax paid	(165)	(28)
Cash flow from operating activities	(257)	(691)
Investing activities:		
Interest received	5	-
Proceeds from sales of property, plant and equipment	-	9
Proceeds from sales of investments	-	2
Purchase of property, plant and equipment	(53)	(99)
Cash flow from investing activities	(48)	(88)
Financing activities:		
Interest paid	(35)	(31)
Decrease in non trade amounts due to associates	70	-
Increase in Investment	(2)	-
Repayment of interest-bearing loans and borrowings	(45)	(14)
Payment of obligations under finance leases	(54)	(37)
Cash flows from financing activities	(66)	(82)
Net decrease in cash and cash equivalents	(371)	(861)
Cash and cash equivalents at the beginning of the period	907	1,904
Effects of exchange rate changes on balance held in foreign currencies	59	-
Cash and cash equivalents at end of the period	595	1,043

- A) For the purpose of the consolidated cash flow statement the cash and cash equivalent at the end of the six month period ended comprises of the following:

	The Group	
	31/12/04 S\$000	31/12/03 S\$000
Cash and cash equivalents :		
Fixed deposits	621	621
Cash and bank balance	988	1,355
Bank overdraft	(700)	(619)
Fixed deposits pledged	(314)	(314)
	595	1,043

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.

Statement of Changes in Equity for the Six Months Period Ended 31 December 2004

Group

	Share capital	Share Premium	Statutory Reserve	Currency translation	Accumulated profit	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2004	1,086	3,225	192	(443)	1,689	5,749
Translation reserve - foreign subsidiaries	-	-	-	(207)	-	(207)
Net loss for the year	-	-	-	-	74	74
Balance as at 31 December 2004	1,086	3,225	192	(650)	1,763	5,616
Balance as at 1 July 2003	1,086	2,906	31	(299)	1,962	5,686
Translation reserve -foreign subsidiaries	-	-	-	(75)	-	(75)
Net profit for the period	-	-	-	-	82	82
Balance as at 31 December 2003	1,086	2,906	31	(374)	2,044	5,693

Company

	Share capital	Share Premium	Statutory Reserve	Currency translation	Accumulated profit / (loss)	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2004	1,086	3,225	-	-	(1,349)	2,962
Net loss for the year	-	-	-	-	(577)	(577)
Balance as at 31 December 2004	1,086	3,225	-	-	(1,926)	2,385
Balance as at 1 July 2003	1,086	2,906	-	-	274	4,266
Net loss for the period	-	-	-	-	(634)	(634)
Balance as at 31 December 2003	1,086	2,906	-	-	(360)	3,632

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.

As at 31 December 2004, no ordinary shares of \$0.01 each were issued pursuant to the exercise of option granted to employees under the Hitchins Employee's Share Option Scheme ("the Scheme")

As at 31 December 2004, there were 5,430,000 unexercised options to subscribe for new ordinary shares of \$0.01 each granted to employees under the Scheme. No options were issued under the Scheme during the 1st Half of FY 2005

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

The figures have not been audited nor reviewed by the external auditors.

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

Not Applicable

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

The same accounting policies and methods of computation as in the Group's most recently audited annual financial statements for FY 2004 have been applied.

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.

There are no changes or departure from the accounting policies and methods of computation, including those required by an accounting standard, that required disclosure.

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	Previous Corresponding Period
	31/12/04	31/12/03
(a) Based on the weighted average number of ordinary shares on issue ; and	0.07 cents	0.08 cents
(b) On a fully diluted basis	0.07 cents	0.08 cents

Basic earnings per ordinary share has been calculated based on 108,600,000 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	
	31/12/04	30/6/04	31/12/04	30/6/04
Net asset value per ordinary share based on the issued share capital at the end of the period	5.17 cents	5.30 cents	2.20 cents	2.73 cents

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 revenue for the first six months ended 31 Dec 2004 decreased by 12.71% or S\$689 thousand from S\$5.42 mil in 1H FY2004 to S\$4.73 mil in 1H FY2005. Manufacturing and sales' revenue decreased by 3.61% from S\$2.58 mil in 1H FY2004 to S\$2.49 mil in 1H FY2005. On the other hand, Installation's revenue decreased by 20.77% from 2.84 mil in 1H FY2004 to S\$2.25 mil in 1H FY2005.

Geographically, revenue from Singapore & other regions decreased by 21.24%, while revenue from Malaysia increased by 27.55% and PR China decreased by 13.82%. The decrease in revenue was mainly due to project site not ready for job execution.

In tandem with the decrease in overall revenue the Group's gross profit decreased by 13.75% or S\$317 thousand from S\$2.3 mil in 1H FY2004 to S\$1.99 mil in 1H FY2005.

Other Operating Income increased by 34.57% from S\$81 thousand in 1H FY2004 to S\$109 thousand in 1H FY2005 mainly due to income received from surrendering of key man insurance policy.

Distribution expenses has slightly increased by 2.2% from S\$546 thousand in 1H FY2004 to S\$558 thousand in 1H FY2005 due to an increase in travelling expenses.

Administrative expenses has decreased by 12.51% from S\$1.49 mil in 1H FY2004 to \$1.3 mil in 1H FY2005. In 1H FY2004 the expenses were generally higher due to higher legal and professional cost, corporate compliance cost, staff cost, etc.

Other Operating expenses has decreased by 69.48% from S\$213 thousand in 1H FY2004 to S\$65 thousand in 1H FY2004 mainly due to unrealised exchange gain, writeback of warranty and provision for doubtful debts

The increase in Finance Cost from S\$31 thousand in 1H FY2004 to S\$35 thousand in 1H FY2005, was due to increase in bank overdraft usage.

The Group profit before tax increased by 26.36% or S\$29 thousand from S\$110 thousand in 1H FY2004 to S\$139 thousand in HY2005. However the Group profit after tax decreased by 9.76% from S\$82 thousand in 1H FY2004 to S\$74 thousand in 1H FY2005 mainly due to income tax.

The basic earning per share of the Group decreased by 12.5% or 0.01 cents from 0.08 cents to 0.07 cents and the Group NTA decreased by 0.13 cents due to weaker exchange rate in period of reporting for both Malaysian ringgits and Reminbi resulting in a loss in translation reserves on foreign subsidiaries.

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 continues to operate in a highly competitive environment in our existing markets namely PR China, Malaysia, and Singapore (including other regional markets).

PR China

It is expected that our PR China operation will continue to focus on infrastructure projects such as MRT stations in Shanghai and Beijing. Our strategy to expand into second tier cities has resulted in the securing and completion of basement waterproofing projects in both Xi'an and Changsha.

Malaysia

In West Malaysia, our focus is primary on residential projects for both the public and private sectors. In East Malaysia we have secured the Sarawak International Medical Centre project in Kuching which will require our products for roofing works as well as for basement tanking.

Singapore (including regional markets)

With the recent launch of the Green Marks for Buildings scheme by Building and Construction Authority ('BCA') which recognises building owners, developers and architects who adopt environmental enhancing design and materials in their construction, increased demands for our roof garden systems and products could be expected

The Indian market is also expected to continue to grow both in Mumbai as well as other cities which we have targeted to expand into.

As it is expected that reconstruction work will be carried out in Indonesia, Thailand and Sri-Lanka, our applicators there will be in a position to supply our products for such work.

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.

Not Applicable

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

Balance Sheet and Cashflows

Non Current Assets

Groups' non current assets decreased mainly due provision for depreciation, as no major property, plant and equipment were purchase in the reporting period.

Current Assets

Inventories and contract work-in-progress increased mainly due to the increase in production capacity in finished goods produced from 100% owned subsidiary in PR China

Trade receivable and other receivables decreased due to better collections during the period and tighter credit control.

Cash and equivalents decreased mainly due to income tax payment and settlement of trust receipts , bills payables; and other payables

Current Liabilities

Trade and other paybles decreased due to settlement of trust receipts and payables that were due in the current period.

Interest bearing loans and borrowings increased mainly due to the increase in bank overdraft

Cash Flows

The Group's net cash from operating activities in 1H FY2005 showed a deficit of S\$295 thousand,mainly due to the settlement of income tax, trust receipts and bills payable during the financial period.

The cash flow from investing activities decreased mainly due to acquisition of computers and motor vehicle in local and foreign subsidiaries.

The deficit in cash flow from financing activities was mainly due to an increase in repayment in interest bearing loans and borrowings

Overall the Group's cash and cash equivalents in 1H FY2005 after deducting pledged fixed deposit decreased to S\$595 thousand.

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 geographical 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**