



**Hiap Hoe Limited**  
(Registration No. : 199400676Z)

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**Half Year Financial Statement for the Period Ended 30 June 2006**

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**1(a) Income Statement for the Group for the Period Ended 30 June 2006**

Unaudited results for the period ended 30 June 2006

(All figures in \$'000)

	The Group		
	1H2006	1H2005	%
<b>Revenue</b>	15,389	15,644	(1.6)
Cost of sales	(11,431)	(14,121)	(19.0)
<b>Gross profit</b>	3,958	1,523	159.9
Distribution and selling expenses	(571)	(345)	65.5
Administrative expenses	(1,371)	(1,845)	(25.7)
Other income	4,152	297	NM
<b>Profit / (Loss) from operating activities</b>	6,168	(370)	NM
Financial expenses	(773)	(551)	40.3
Financial income	3	5	(40.0)
<b>Profit / (Loss) from ordinary activities before taxation</b>	5,398	(916)	NM
Taxation	(798)	522	NM
<b>Net profit / (loss) for the period</b>	4,600	(394)	NM
<b>Attributable to :</b>			
Shareholders of the Company	4,600	(394)	NM

Notes:

- 1) NM – Not meaningful

Additional Information

Profit / (Loss) from operation is determined after charging :

	The Group		
	01.01.06 to 30.06.06	01.01.05 to 30.06.05	%
Bad debts written off (trade)	100	1	NM
Depreciation of fixed assets	112	157	(28.7)
Loss on disposal of fixed assets	66	20	230.0
Gain on disposal of investment property	(3,858)	-	NM
Gain on disposal of quoted investment (Write back of ) / Provision for doubtful receivables (trade)	(1) (3)	- 122	NM NM
Share options expenses	-	47	(100.0)
Provision for impairment in value of investment properties	-	71	(100.0)
Provision for impairment loss on fixed assets, net	-	44	(100.0)
Write down of quoted investment to market value	3	4	(25.0)
Write back of provision for foreseeable losses on development properties	(58)	(2,011)	(97.1)

## 1(b)(i) Balance Sheet as at 30 June 2006

(All figures in \$'000)

### The Group

#### **ASSETS LESS LIABILITIES**

##### **Non-Current Assets**

	30.06.06	31.12.05	%
Fixed assets	4,010	4,292	-6.6%
Investment properties	5,246	9,946	-47.3%
	<b>9,256</b>	<b>14,238</b>	<b>-35.0%</b>

##### **Current Assets**

Cash, bank balances & fixed deposits	2,052	383	435.8%
Other investments	165	214	-22.9%
Trade receivables	3,621	2,331	55.3%
Other receivables, deposits and prepayments	751	119	531.1%
Due from related companies (non-trade)	6	-	NM
Development properties	110,750	99,706	11.1%
Work-in-progress	33	117	-71.8%
	<b>117,378</b>	<b>102,870</b>	<b>14.1%</b>

##### **Current Liabilities**

Trade payables	360	500	-28.0%
Other payables and accruals	2,525	2,564	-1.5%
Due to ultimate holding company (non-trade)	160	-	NM
Due to related companies (non-trade)	27	38	-28.9%
Bank overdraft	1,108	171	548.0%
Interest bearing loans and borrowings	9,019	9,618	-6.2%
Provision for taxation	176	594	-70.4%
	<b>13,375</b>	<b>13,485</b>	<b>-0.8%</b>

##### **Net Current Assets**

	<b>104,003</b>	<b>89,385</b>	<b>16.4%</b>
<b>Non-Current Liabilities</b>			
Interest bearing loans and borrowings	52,449	46,899	11.8%
Deferred taxation	129	19	578.9%

##### **Net Assets**

	<b>60,681</b>	<b>56,705</b>	<b>7.0%</b>
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##### **EQUITY**

Share Capital	99,553	27,733	259.0%
Reserves	(38,872)	28,972	NM
<b>Total Equity</b>	<b>60,681</b>	<b>56,705</b>	<b>7.0%</b>

## The Company

### **ASSETS LESS LIABILITIES**

#### **Non-Current Assets**

Fixed assets	166	199	-16.6%
Investments in subsidiary companies	47,683	46,685	2.1%
	<b>47,849</b>	<b>46,884</b>	2.1%

#### **Current Assets**

Cash, bank balances & fixed deposits	108	39	176.9%
Other receivables, deposits and prepayments	241	142	69.7%
Due from subsidiary companies (trade)	569	28	NM
Due from subsidiary companies (non-trade)	3,014	416	624.5%
	<b>3,932</b>	<b>625</b>	529.1%

#### **Current Liabilities**

Trade payables	7	13	-46.2%
Other payables and accruals	359	554	-35.2%
Due to related companies	1	-	NM
Due to subsidiary companies (trade)	140	-	NM
Due to subsidiary companies (non-trade)	18,079	12,666	42.7%
Due to ultimate holding company (non-trade)	-	140	-100.0%
Interest bearing loans and borrowings	10	10	0.0%
Provision for taxation	11	11	0.0%
	<b>18,607</b>	<b>13,394</b>	38.9%

#### **Net Current Liabilities**

**(14,675)**      **(12,769)**      14.9%

#### **Non-Current Liability**

Interest bearing loans and borrowings	44	49	-10.2%
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#### **Net Assets**

**33,130**      **34,066**      -2.7%

#### **EQUITY**

Share Capital	99,553	27,733	259.0%
Reserves	(66,423)	6,333	NM
<b>Total Equity</b>	<b>33,130</b>	<b>34,066</b>	-2.7%

**1 (b)(ii) Aggregate amount of Group's borrowings and debts securities.**

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

(\$'000)

As at 30.06.06		As at 31.12.05	
Secured	Unsecured	Secured	Unsecured
10,127	-	9,789	-

**Amount repayable after one year**

(\$'000)

As at 30.06.06		As at 31.12.05	
Secured	Unsecured	Secured	Unsecured
52,449	-	46,899	-

**Details of any collateral**

The above borrowings are secured by :

- 1) Mortgage on subsidiaries' leasehold properties and / or development properties
- 2) Mortgage on subsidiaries' investment properties and freehold properties
- 3) Legal assignment of balance of 15% sale proceeds to the bank
- 4) Assignment of all rights and benefits under
  - a. The Sales and Purchase agreement and/or tenancy agreement;
  - b. Insurance policies taken up;
  - c. Performance bonds in relation to the Project.
- 5) An assignment of the building contracts and drawings.
- 6) An assignment of the proceeds of the Project account and the rental account maintained with the bank
- 7) Deed of Subordination to subordinate all loans / advances from the holding company / related parties to the facilities. Repayment of expenses / costs incurred on behalf by the holding company / related parties, under the project has been allowed.
- 8) Corporate guarantees given by the holding company

**1(c) Consolidated Cash Flow Statement of the Group**

(All figures in \$'000)

	<b>01.01.06 to 30.06.06</b>	<b>01.01.05 to 30.06.05</b>
<b>Cash flows from operating activities :</b>		
Profit / (Loss) from ordinary activities before taxation	5,398	(916)
Adjustments :		
Bad Debts	100	1
Depreciation of fixed assets	112	157
Interest expenses	773	551
Interest income	(3)	(5)
Dividend income	(6)	(7)
Loss on disposal of fixed assets	66	20
Gain on disposal of investment property	(3,858)	-
Gain on disposal of quoted investment (Write back of) / Provision for doubtful receivables (trade)	(1) (3)	- 122
Share options expenses	-	47
Write down of quoted investment to market value	3	4
Provision for impairment loss on fixed assets, net	-	44
Provision for impairment in value of investment properties	-	71
Write back of provision for foreseeable losses on development properties	(58)	(2,011)
<b>Operating profit / (loss) before working capital changes</b>	<b>2,523</b>	<b>(1,922)</b>
(Increase)/decrease in :		
Development properties	(10,986)	(29,680)
Trade receivables	(1,387)	(2,249)
Other receivables, deposits and prepayments	(513)	3,450
Work-in-progress	84	(273)
(Decrease) / Increase in :		
Trade payables	(140)	-
Other payables and accruals	(39)	(1,097)
Due from related companies	(20)	-
<b>Operating loss after working capital changes</b>	<b>(10,478)</b>	<b>(31,771)</b>
Income tax paid	(943)	(35)
<b>Net cash used in operating activities</b>	<b>(11,421)</b>	<b>(31,806)</b>

**1(c) Consolidated Cash Flow Statement of the Group (cont'd)**

(All figures in \$'000)

	<b>01.01.06 to 30.06.06</b>	<b>01.01.05 to 30.06.05</b>
<b>Cash flows from investing activities :</b>		
Dividend income	6	7
Interest income	3	5
Proceeds from disposal of fixed assets	114	140
Proceeds from disposal of quoted investments	47	-
Proceeds from disposal of investment property	8,558	-
Purchase of fixed assets	(10)	(15)
<b>Net cash generated from investing activities</b>	<b>8,718</b>	<b>137</b>
<b>Cash flow from financing activities :</b>		
Dividend paid	(1,420)	-
Repayment of bank term loans	(12,192)	(10,309)
Borrowings from banks	17,115	39,951
Loan from related companies	-	15
Loan from ultimate holding company	-	2
Repayment of hire purchase	(5)	(36)
Interest paid	(740)	(217)
Conversion from warrants to shares	677	-
<b>Net cash generated from financing activities</b>	<b>3,435</b>	<b>29,406</b>
<b>Net increase /(decrease) in cash and cash equivalents</b>	<b>732</b>	<b>(2,263)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>212</b>	<b>1,625</b>
<b>Cash and cash equivalents at end of period</b>	<b>944</b>	<b>(638)</b>

Note :

Cash and bank balances	1,552	764
Fixed deposits	500	-
Less Bank overdraft	(1,108)	(1,402)
	<b>944</b>	<b>(638)</b>

**1(d)(i) Statement of Changes in Equity**  
(All figures in \$'000)

	The Group		The Company	
	01.01.06 to 30.06.06	01.01.05 to 30.06.05	01.01.06 to 30.06.06	01.01.05 to 30.06.05
<b>Issued Capital</b>				
Balance at beginning of period	27,733	27,644	27,733	27,644
Transfer of share premium reserve to share capital upon implementation of Companies (Amendment) Act 2005	71,028	-	71,028	-
Issue of shares	792	-	792	-
Balance at end of period	99,553	27,644	99,553	27,644
<b>Warrant Reserves</b>				
Balance at beginning of period	1,156	-	1,156	-
Exercise during the period	(115)	-	(115)	-
Balance at end of period	1,041	-	1,041	-
<b>Capital reduction reserve</b>				
Balance at beginning / end of period	5,773	5,773	5,773	5,773
<b>Share premium</b>				
Balance at beginning of period	71,028	71,013	71,028	71,013
Transfer of share premium reserve to share capital upon implementation of Companies (Amendment) Act 2005	(71,028)	-	(71,028)	-
Balance at end of period	-	71,013	-	71,013
<b>Capital reserve</b>				
Balance at beginning / end of period	(81,003)	(81,003)	-	-
<b>Other reserve</b>				
Balance at beginning of period	395	-	395	-
-FRS 102, adjustment	-	60	-	60
Balance at beginning of period, restated	395	60	395	60
Cost of share-based payment	-	47	-	47
Net fair value changes on cash flow hedge	119	(114)	119	(114)
Balance at end of period	514	(7)	514	(7)
<b>Dividend reserve</b>				
Balance at beginning of period	1,387	-	1,387	-
Dividend in respect of FY2005 paid	(1,387)	-	(1,387)	-
Balance at end of period	-	-	-	-
<b>Retained earnings/(accumulated losses)</b>				
Balance at beginning of period	30,236	34,355	(73,406)	(73,457)
FRS 39 & 102, transitional adjustments	-	(34)	-	(60)
Dividend in respect of FY2005	(33)	-	(33)	-
Profit / (Loss) for the period	4,600	(394)	(312)	(213)
Balance at end of period	34,803	33,927	(73,751)	(73,730)
<b>Equity at end of period</b>	<b>60,681</b>	<b>57,347</b>	<b>33,130</b>	<b>30,693</b>



With the implementation of the Companies (Amendment) Act 2005 on 30 January 2006, the concept of authorised share capital is abolished and the shares of the Company have no par value. Consequently, the balance in share premium within equity as at 30 January 2006 had been classified to the Company's share capital.

**1(d)(ii) Details of 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 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 30 June 2006, there were unexercised options for 6,600,000 (30 June 2005 : 9,700,000) of unissued ordinary shares under Employees' Stock Options Scheme.

For the financial period ended 30 June 2006, 27,084,750 warrants had been exercised and converted into 27,084,750 ordinary shares at an exercise price of \$0.025 each. The shares were issued ranking pari passu in all respects with the existing issued ordinary shares in the capital of the Company.

**2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

These figures have not been audited or reviewed by the auditor.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a 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 and the Company have adopted the same accounting policies and methods of computation for the current financial year as those for the financial year ended 31 December 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.**

Not applicable.

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

The Group

Earning per share (cents)	30.06.06	30.06.05
Basic	0.41	(0.04)
Diluted	0.41	(0.04)

Earnings per share is calculated based on the net profit attributable to ordinary shareholders divided by the weighted average number of shares. Basic earnings per share for the period ended 30 June 2006 is calculated based on 1,122,193,783 ordinary shares, after taking into the conversion of warrants to shares.

Earnings per share for the period ended 30 June 2005 is calculated based on 1,105,758,758 ordinary shares.

The average price of the ordinary share during the period ended 30 June 2006 was below the exercise price of the option under the Hiap Hoe Limited Executives' Share Options Scheme 2004. Under FRS 33, these options are not considered to be dilutive during that year.

**7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the :-**

- (a) current financial period reported on; and
- (b) immediately preceding financial year

Net assets value per shares (cents)	30.06.06	31.12.05
The Group	5.34	5.11
The Company	2.92	3.07

NAV computed based on 1,136,410,508 shares and 1,109,325,758 shares as at 30 June 2006 and 31 December 2005 respectively.

**8. Review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. It must include a discussion of the following :-**

- (a) any significant factors that affected the turnover, costs, and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on.

## **FINANCIAL HIGHLIGHTS**

Revenue decreased 1.6% from \$15.6m in first half of 2005 (“1H2005”) to \$15.4m in first half of 2006 (“1H2006”). Despite the lower sales, the Group accomplished a turnaround from an operating loss of \$0.9m in 1H2005 to an operating profit of \$5.4m in 1H2006.

### **Revenue**

Revenue from sales of residential development properties increased by 12.6% from \$13.5m in 1H2005 to \$15.2m in 1H2006. This is mainly attributable to more units being sold at the “Proximo” and the launch of a new project, “City Edge” at Moulmein Rise.

Revenue from construction business decreased from \$1.7m to \$44,000 in 1H2006. The decrease was due mainly to the completion of Sembawang Temporary Bus Interchange project in fourth quarter 2005 and the absence of new public projects being secured. Although in 1H2006, the construction arm undertook the construction at City Edge, this inter-company amount has been eliminated at Group level, and hence not reflected here.

Gross profit increased by \$2.4m or 159.9% from the improved profit margin generated through the sale of units at Proximo and City Edge. As it was completed in FY2005, the Sembawang Temporary Bus Interchange project did not incur further costs in 1H2006, hence a lower cost of sale.

Other income increased substantially from \$0.3m in 1H2005 to \$4.2m in 1H2006 due to a gain of approximately \$3.9m generated from the sale of freehold properties by one of the Company’s fully-owned subsidiaries.

### **Profit**

The Group turned around an operating loss of \$0.9m in 1H2005 to an operating profit of \$5.4m in 1H2006 by cutting administrative expenses, improving sales of residential development properties and one time gain from the sales of investment property.

Distribution and selling expenses doubled from \$0.3m to \$0.6m in the period under review, as a result of the launch of “City Edge”. However, administrative expenses were reduced by approximately 25.7% or \$0.5m to \$1.3m as a streamlining of staff led to substantial savings. Non-recurring expenses in 1H2005 for share option expenses and the provision for impairment losses, which did not recur in 1H2006 also led to savings.

Financial expenses increased substantially by 40.3% from \$0.5m to approximately \$0.7m, mainly due to higher interest rate of 1H2006 compared to 1H2005.

For the period under review, there was tax expense of approximately \$0.8m. The tax liabilities arose mainly from sale of residential development properties at “Proximo” and “City Edge”. The tax expenses also comprised a reversal of \$0.2m unutilised tax losses previously transferred to ultimate holding company. The increase in tax expense was mitigated by current period Group’s tax relief of \$0.2m. No tax was provided for the disposal of investment property at 41 Minbu Road as the gain was capital in nature.

In view of the above, the Group recorded a net profit after tax of approximately \$4.6m in 1H2006 compared to a net loss after tax of \$0.4m in 1H2005.

## **Cash Flow**

Investing activities registered net cash inflow of approximately \$8.7m, mainly due to net proceeds of \$8.6m and \$0.1m, which were generated from the disposal of investment properties and fixed assets respectively.

Financing activities registered a net cash inflow of \$3.4m, primarily due to the draw-down of bank loans for the acquisition of a plot of land at Lot1584T TS18 at Oxford Road at a purchase price of \$12.5m. An additional \$7.7m of bank loan, was drawn down to pay the development charge for the development property at Angullia Park. In 1H2006, \$0.7m cash was received from shareholders for the conversion of warrants into shares. The total cash inflow of \$17.8m was partially offset by the repayment of bank loans of about \$12.2m, interest payment of approximately \$0.7m, and payment of dividends of \$1.4m.

## **Balance Sheet (The Group)**

For the period under review, the disposal of 41 Minbu Road explained the decrease in investment properties by \$4.7m. The increase in cash at bank and fixed deposits of approximately \$1.7m mainly was contributed by the sales of residential development properties at City Edge. The acquisition of Lot 1584T TS18 at Oxford Road on 25 May 2006 explained the increase in development properties. The acquisition was financed by bank borrowings, hence a net increase in bank borrowings. With the conversion of warrants into shares by shareholders in 1H2006, the share capital increased by \$0.7m.

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

There was no financial forecast made in the Group's announcement dated 20 February 2006.

### **10. A commentary at the date of the announcement of the significant trends and 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 Singapore economy continues to perform well in 2006 and the GDP growth forecast has been raised to range between 5% to 7%, from the previous estimate of 4% to 6%. The URA's price index of private residential property for 1Q2006 and 2Q2006 rose by 1.5% and 1.8% respectively, compared to the previous quarter. Year on year prices were up 6.0%.

Riding on the positive market sentiment, the Group launched one of its new residential property development projects, City Edge in 1H2006. To-date, City Edge has sold 40 out of 49 units.

The property at Angullia Park is expected to be launched in the fourth quarter of 2006.

Barring unforeseen circumstances, the Group is expected to be profitable in 2006.

**11. Dividend**

**(a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on? None

**(b) Corresponding Period of the immediately preceding financial year**

Any dividend declared for the corresponding period of the immediately preceding financial year? None

**(c) Date payable**

Not applicable.

**(d) Book closure date**

Not applicable.

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

No dividend has been declared / recommended during the financial period.

**BY ORDER OF THE BOARD**

Sophia Lim Siew Fay  
Company Secretary  
07/08/06