



HUATONG GLOBAL LIMITED

(Company Registration Number: 201422395Z)

Unaudited Financial Statement and Dividend Announcement For the Half Year Ended 30 June 2019 (“HY2019”)

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

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

| | Group | | |
|---|--------------------------------|--------------------------------|---------------|
| | HY2019 Unaudited S\$'000 | HY2018 Unaudited S\$'000 | (+/-) % |
| Revenue | 61,321 | 90,469 | (32.2) |
| Cost of sales and services | (47,764) | (73,932) | (35.4) |
| Gross profit | 13,557 | 16,537 | (18.0) |
| Other income | 1,879 | 1,641 | 14.5 |
| Administrative expenses | (10,341) | (10,747) | (3.8) |
| Other expenses | (284) | (638) | (55.5) |
| Loss allowance on trade receivables and contract assets | (146) | - | nm |
| Finance costs | (1,653) | (1,262) | 31.0 |
| Share of results of a joint venture | 646 | 1,162 | (44.4) |
| Profit before income tax | 3,658 | 6,693 | (45.3) |
| Income tax expense | (542) | (967) | (44.0) |
| Profit for the year | 3,116 | 5,726 | (45.6) |
| Other comprehensive income: | | | |
| Item that may be reclassified subsequently to profit or loss: | | | |
| Fair value changes on financial assets at fair value through other comprehensive income | 46 | 42 | 9.5 |
| Reversal of fair value loss in fair value reserve upon redemption | 9 | - | nm |
| Item that will not be reclassified subsequently to profit or loss: | | | |
| Gain on revaluation of property, plant and equipment | 530 | 552 | (4.0) |
| Other comprehensive income, net of tax | 585 | 594 | (1.5) |
| Total comprehensive income for the financial year | 3,701 | 6,320 | (41.4) |
| Profit attributable to: | | | |
| Owners of the parent | 3,149 | 5,881 | (46.5) |
| Non-controlling interests | (33) | (155) | (78.7) |
| | 3,116 | 5,726 | (45.6) |
| Total comprehensive income attributable to: | | | |
| Owners of the parent | 3,734 | 6,475 | (42.3) |
| Non-controlling interests | (33) | (155) | (78.7) |
| | 3,701 | 6,320 | (41) |

nm denotes not meaningful

1(a)(ii) Notes to Consolidated Statement of Comprehensive Income

The Group's profit before income tax has been arrived at after charging / (crediting) the following:

| | Group | | |
|--|-----------|-----------|--------|
| | HY2019 | HY2018 | (+/-) |
| | Unaudited | Unaudited | |
| | S\$'000 | S\$'000 | % |
| Depreciation of property, plant and equipment | 7,826 | 6,325 | 23.7 |
| Depreciation of right-of-use assets* | 419 | - | nm |
| Amortisation of intangible assets | 8 | 7 | 14.3 |
| Fair value gain on financial assets at fair value through profit or loss | (80) | (70) | 14.3 |
| Interest expenses | 1,578 | 1,173 | 34.5 |
| Employee benefits expense | 17,889 | 17,576 | 1.8 |
| Short-term lease expense (2018: Operating lease expense) | 3,407 | 3,615 | (5.8) |
| Interest income | (29) | (100) | (71.0) |
| (Gain) /Loss on disposal of plant and equipment | (23) | 360 | nm |
| Amortisation of gain on sale and leaseback transactions | (437) | (50) | nm |
| Foreign exchange gain, net | 6 | (3) | nm |

Note:

Nm denotes not meaningful

*: Please refer to Note 5 on the adoption of new accounting standard SFRS (I) 16 Lease with effect from 1 Jan 2019.

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

| | Group | | Company | |
|---|------------------------------------|----------------------------------|------------------------------------|----------------------------------|
| | 30.06.2019 Unaudited S\$'000 | 31.12.2018 Audited S\$'000 | 30.06.2019 Unaudited S\$'000 | 31.12.2018 Audited S\$'000 |
| Assets | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | 98,108 | 94,654 | - | - |
| Right-of-use assets* | 5,058 | - | - | - |
| Financial assets at fair value through profit or loss | 5,257 | 5,221 | - | - |
| Investments in subsidiaries | - | - | 41,735 | 41,735 |
| Investment in a joint venture | 2,453 | 1,806 | - | - |
| Prepayments | - | 23 | - | - |
| Intangible assets | 118 | 114 | 18 | 19 |
| | 110,994 | 101,818 | 41,753 | 41,754 |
| Current assets | | | | |
| Contract assets | 67,988 | 73,327 | - | - |
| Financial assets at fair value through other comprehensive income | 1,016 | 2,248 | - | - |
| Inventories | 1,436 | 940 | - | - |
| Trade and other receivables | 50,218 | 44,158 | 2,240 | 3,018 |
| Prepayments | 1,271 | 1,334 | 235 | 238 |
| Cash and cash equivalents | 1,092 | 8,509 | 33 | 164 |
| | 123,021 | 130,516 | 2,508 | 3,420 |
| Total assets | 234,015 | 232,334 | 44,261 | 45,174 |
| Liabilities | | | | |
| Current liabilities | | | | |
| Contract liabilities | 618 | 91 | - | - |
| Trade and other payables | 54,642 | 50,539 | 370 | 1,137 |
| Lease liabilities* | 15,110 | 14,950 | - | - |
| Bank borrowings | 44,419 | 48,475 | - | - |
| Deferred income | 793 | 834 | - | - |
| Current income tax payable | 1,094 | 2,170 | - | - |
| | 116,676 | 117,059 | 370 | 1,137 |

Note:

*: Please refer to Note 5 on the adoption of new accounting standard SFRS (I) 16 Lease with effect from 1 Jan 2019.

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

| | Group | | Company | |
|--|----------------------|--------------------|----------------------|--------------------|
| | 30.06.2019 | 31.12.2018 | 30.06.2019 | 31.12.2018 |
| | Unaudited S\$'000 | Audited S\$'000 | Unaudited S\$'000 | Audited S\$'000 |
| Non-current liabilities | | | | |
| Lease liabilities* | 24,562 | 22,279 | - | - |
| Bank borrowings | 11,852 | 15,387 | - | - |
| Deferred income | 1,353 | 1,750 | - | - |
| Deferred tax liabilities | 5,557 | 5,545 | - | - |
| | 43,324 | 44,961 | - | - |
| Total liabilities | 160,000 | 162,020 | 370 | 1,137 |
| Net assets | 74,015 | 70,314 | 43,891 | 44,037 |
| Equity | | | | |
| Share capital | 38,676 | 38,676 | 38,676 | 38,676 |
| Other reserves | (13,707) | (14,292) | - | - |
| Accumulated profits | 49,926 | 46,777 | 5,215 | 5,361 |
| Equity attributable to owners of the parent | 74,895 | 71,161 | 43,891 | 44,037 |
| Non-controlling interests | (880) | (847) | - | - |
| Total equity | 74,015 | 70,314 | 43,891 | 44,037 |

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

| | As at 30 June 2019 (Unaudited) | | | As at 31 December 2018 (Audited) | | |
|---------------------------|-----------------------------------|-----------|---------|-------------------------------------|-----------|---------|
| | Secured | Unsecured | Total | Secured | Unsecured | Total |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Repayable within one year | 31,210 | 28,319 | 59,529 | 34,192 | 29,233 | 63,425 |
| Repayable after one year | 31,405 | 5,009 | 36,414 | 37,620 | 46 | 37,666 |
| Total | 62,615 | 33,328 | 95,943 | 71,812 | 29,279 | 101,091 |

Secured Borrowings

Bank borrowings

As at 30 June 2019, the Group's bank borrowings amounted to S\$56.3 million (31 December 2018: S\$63.9 million), of which S\$28.0 million (31 December 2018: S\$34.6 million) was secured by mortgages over a leasehold property and beneficial interest arising from certain insurance policies undertaken by the Group.

Lease liabilities

As at 30 June 2019, the Group's lease liabilities amounted to S\$39.7 million (31 December 2018: S\$37.2 million), of which S\$34.6 million (31 December 2018: S\$37.2 million) was secured by the Group's leased plant and equipment with net carrying amount of S\$54.4 million as at 30 June 2019 (31 December 2018: S\$58.9 million).

All the bank borrowings and the secured lease liabilities were supported by corporate guarantees given by the Company.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

| | Group | |
|---|--------------------------------|--------------------------------|
| | HY2019 Unaudited S\$'000 | HY2018 Unaudited S\$'000 |
| Cash flows from operating activities | | |
| Profit before income tax | 3,657 | 6,693 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 7,826 | 6,325 |
| Depreciation of right-of-use assets | 419 | - |
| Amortisation of intangible assets | 8 | 7 |
| Loss allowance on trade receivables and contract assets | 146 | - |
| Changes in allowance for impairment of financial assets at fair value through other comprehensive income | - | (214) |
| Reversal of allowance for impairment of financial assets at fair value through other comprehensive income upon redemption | (49) | (27) |
| (Gain) /Loss on disposal of plant and equipment | (23) | 360 |
| Amortisation of gain on sale and leaseback transactions | (437) | (50) |
| Interest expenses | 1,578 | 1,173 |
| Interest income | (29) | (100) |
| Share of results of a joint venture | (646) | (1,162) |
| Fair value gain of financial assets at fair value through profit or loss | (80) | (70) |
| Unrealised exchange differences, net | (4) | 14 |
| Operating cash flows before working capital changes | 12,366 | 12,949 |
| Working capital changes: | | |
| Trade and other receivables | (6,249) | 17,144 |
| Prepayments | 86 | 229 |
| Contract assets, net | 5,908 | (22,566) |
| Inventories | (496) | 1,077 |
| Trade and other payables | (569) | 5,087 |
| Cash generated from operations | 11,046 | 13,920 |
| Interest received | 4 | 10 |
| Income tax paid | (1,606) | (682) |
| Net cash from operating activities | 9,444 | 13,248 |
| Cash flows from investing activities | | |
| Purchases of property, plant and equipment | (245) | (961) |
| Additions to right-of-use assets | (180) | - |
| Additions to intangible assets | (12) | (14) |
| Interest received | 54 | 89 |
| Proceeds from disposal of property, plant and equipment | 30 | 2,196 |
| Proceeds from redemption of financial assets at fair value through other comprehensive income | 1,307 | 50 |
| Net cash from investing activities | 954 | 1,360 |

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year (continued)

| | Group | |
|--|----------------------|----------------------|
| | HY2019 | HY2018 |
| | Unaudited S\$'000 | Unaudited S\$'000 |
| Cash flows from financing activities | | |
| Proceeds from trust receipts | 32,532 | 47,749 |
| Repayment of trust receipts | (46,399) | (54,469) |
| Proceeds from term loans | 8,500 | 6,000 |
| Repayment of term loans | (2,176) | (4,192) |
| Interest paid | (1,578) | (1,173) |
| Dividends paid | - | (833) |
| Repayment of lease liabilities | (8,594) | (7,922) |
| Decrease in amounts due to related parties | (100) | (255) |
| Net cash used in financing activities | (17,815) | (15,095) |
| Net change in cash and cash equivalents | (7,417) | (487) |
| Cash and cash equivalents at beginning of the financial year | 8,509 | 4,228 |
| Cash and bank balances at end of the financial year | 1,092 | 3,741 |

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

| Company | Accumulated | | |
|---|---------------|--------------|---------------|
| | Share capital | profits | Total equity |
| | \$'000 | \$'000 | \$'000 |
| (Unaudited) | | | |
| Balance as at 1 January 2019 | 38,676 | 5,361 | 44,037 |
| Loss for the financial period, representing total comprehensive income for the financial period | - | (146) | (146) |
| Balance as at 30 June 2019 | 38,676 | 5,215 | 43,891 |
| (Unaudited) | | | |
| Balance as at 1 January 2018 | 38,676 | 6,257 | 44,933 |
| Loss for the financial period, representing total comprehensive income for the financial period | - | 831 | 831 |
| Dividends | - | (833) | (833) |
| Balance as at 30 June 2018 | 38,676 | 6,255 | 44,931 |

Huatong Global Limited

Unaudited Financial Statements and Dividend Announcement for Half Year Ended 30 June 2019

Consolidated Statement of Changes in equity

| Group | Attributable to owners of the company | | | | | Total equity |
|---|---------------------------------------|---------------------|----------------|---|---------------------------|--------------|
| | Share capital | Accumulated profits | Other reserves | Equity attributable to owners of the parent | Non-controlling Interests | |
| (Unaudited) | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance as at 1 January 2019 | 38,676 | 46,777 | (14,292) | 71,161 | (847) | 70,314 |
| Profit for the financial period | - | 3,149 | - | 3,149 | (33) | 3,116 |
| Other comprehensive income: | | | | | | |
| Gain on revaluation of property, plant and equipment | - | - | 530 | 530 | - | 530 |
| Fair value changes on financial assets at fair value through other comprehensive income | - | - | 46 | 46 | - | 46 |
| Reversal of fair value loss in fair value reserve upon redemption | - | - | 9 | 9 | - | 9 |
| | - | - | 585 | 585 | - | 585 |
| Total comprehensive income for the financial period | - | 3,149 | 585 | 3,734 | (33) | 3,701 |
| Balance as at 30 June 2019 | 38,676 | 49,926 | (13,707) | 74,895 | (880) | 74,015 |
| (Unaudited) | | | | | | |
| Balance as at 1 January 2018, FRS framework | 38,676 | 42,448 | (14,906) | 66,218 | (587) | 65,631 |
| Effects on adoption of SFRS(I) 9 | - | (164) | (513) | (677) | - | (677) |
| Balance as at 1 January 2018, as restated | 38,676 | 42,284 | (15,419) | 65,541 | (587) | 64,954 |
| Profit for the financial period | - | 5,881 | - | 5,881 | (155) | 5,726 |
| Other comprehensive income: | | | | | | |
| Gain on revaluation of property, plant and equipment | - | - | 552 | 552 | - | 552 |
| Fair value changes on financial assets at fair value through other comprehensive income | - | - | 42 | 42 | - | 42 |
| | - | - | 594 | 594 | - | 594 |
| Total comprehensive income for the financial period | - | 5,881 | 594 | 6,475 | (155) | 6,320 |
| Transactions with owners of the parent: | | | | | | |
| Dividends | - | (833) | - | (833) | - | (833) |
| Total transactions with owners of the parent: | - | (833) | - | (833) | - | (833) |
| Balance as at 30 June 2018 | 38,676 | 47,332 | (14,825) | 71,183 | (742) | 70,441 |

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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares of the issuer and subsidiary holdings, 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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.

There was no change in the Company’s share capital from 31 December 2018 to 30 June 2019.

There were no outstanding options, convertibles, treasury shares or subsidiary holdings as at 30 June 2019 and 30 June 2018.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year

| | 30.06.2019 | 31.12.2018 |
|---|-------------------|-------------------|
| Total number of issued shares excluding treasury shares | 151,384,600 | 151,384,600 |

1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable. The Company did not have any treasury shares during and as at the end of the current financial period reported on.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable. The Company did not have any subsidiary holdings during and as at the end of the current financial period reported on.

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

The figures have neither been audited nor reviewed by the Company’s auditors.

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

Except as disclosed in section 5 below, the Group and the Company have applied the same accounting policies and methods of computation in the financial statements for the current reporting period as those of the audited financial statements for the financial year ended 31 December 2018.

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 Group adopted the new/revised SFRS(I)s that are effective for annual periods beginning on or after 1 January 2019. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I)s, SFRS(I) Interpretations and amendments to SFRS(I)s.

The adoption of the new SFRS(I)s, SFRS(I) Interpretations and amendments to SFRS(I)s did not have any significant impact on the financial statements of the Group except for the following:

Adoption of SFRS(I) 16

SFRS(I) 16 is effective for financial years beginning on or after 1 January 2019. The Group has applied the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

SFRS(I) 16 introduces a new single lessee accounting model which eliminates the current distinction between operating and finance leases for lessees. SFRS(I) 16 requires lessees to capitalise all leases on the statement of financial position by recognising a 'right-of-use' asset ("RoU Assets) and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets. The accounting for lessors has not changed significantly.

RoU assets are measured using the cost model and are carried at cost less accumulated depreciation and accumulated impairment loss, if any, subsequent to initial recognition. The carrying amount for lease liabilities subsequent to initial recognition would take into account interest on the lease liabilities, lease payments made and any reassessment or lease modifications.

The adoption of SFRS(I) 16 resulted in adjustments to the balance sheet of the Group as at 1 January 2019. The impact on the statement of comprehensive income and balance sheet is as follows:

| | As at 31 December 2018 S\$'000 | Effect of Applying SFRS(I) 16 S\$'000 | As at 1 January 2019 S\$'000 | Movement S\$'000 | As at 30 June 2019 S\$'000 |
|--|---|--|---------------------------------------|---------------------|-------------------------------------|
| <u>Statement of comprehensive income</u> | | | | | |
| Rental expenses | - | - | - | (465) | (465) |
| Depreciation of RoU assets | - | - | - | 419 | 419 |
| Finance expenses on lease liabilities | - | - | - | 75 | 75 |
| <u>Non-current assets</u> | | | | | |
| Right-of-use assets | - | 4,129 | 4,129 | 929 | 5,058 |
| <u>Current liabilities</u> | | | | | |
| Finance lease payables | (14,950) | 14,950 | - | - | - |
| Lease liabilities | - | (15,144) | (15,144) | 34 | (15,110) |
| <u>Non-Current liabilities</u> | | | | | |
| Finance lease payables | (22,279) | 22,279 | - | - | - |
| Lease liabilities | - | (26,214) | (26,214) | 1,652 | (24,562) |

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

| Earnings per ordinary share: | Group | |
|--|---------------------|---------------------|
| | HY2019 Unaudited | HY2018 Unaudited |
| Profit attributable to owners of the Company (S\$'000) | 3,149 | 5,881 |
| Weighted average number of ordinary shares | 151,384,600 | 151,384,600 |
| Basic and diluted EPS (Singapore cents) | 2.08 | 3.88 |

(a) Basic earnings per share (“EPS”) is calculated by dividing the net profit for the financial period attributable to owners of the parent by the weighted average number of ordinary shares in issue during the financial period.

(b) The basic and diluted EPS are the same as there were no potential dilutive ordinary shares in issue as at 30 June 2019 and 30 June 2018.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:

(a) current financial period reported on; and

(b) immediately preceding financial year.

| | Group | | Company | |
|--|-------------------------|-----------------------|-------------------------|-----------------------|
| | 30.06.2019 Unaudited | 31.12.2018 Audited | 30.06.2019 Unaudited | 31.12.2018 Audited |
| Net asset value per ordinary share (Singapore cents) | 49.5 | 47.0 | 29.0 | 29.1 |
| Number of ordinary shares in issue | 151,384,600 | 151,384,600 | 151,384,600 | 151,384,600 |

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:-

(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.

Statement of comprehensive income of the Group for half year ended 30 June 2019 (“HY2019”) vs. for half year ended 30 June 2018 (“HY2018”)

Revenue

Revenue decreased by S\$29.2 million or 32.2% from S\$90.5 million in HY2018 to S\$61.3 million in HY2019 mainly due to lower revenue from the Group’s civil engineering services and the sale of construction materials segment, partially offset by higher revenue derived from the inland logistics segment.

Revenue from the civil engineering services decreased by approximately S\$23.9 million or 31.3% from S\$76.8 million in HY2018 to S\$52.9 million in HY2019. The decrease was mainly due lower revenue recognition from completion of certain projects whilst new projects secured at the beginning of 2019 yet in full swing in HY2019.

Revenue from the sale of construction materials segment decreased by approximately S\$7.6 million or 84.4% from S\$9.0 million in HY2018 to S\$1.4 million in HY2019. The decrease was mainly due to the completion of certain material supply contracts at the end of 2018.

Revenue from the inland logistics segment increased by approximately S\$2.3 million or 48.9% from S\$4.7 million in HY2018 to S\$7.0 million in HY2019. The increase was mainly due to higher demand from our customer for soil disposal and transportation in HY2019.

Cost of sales and services

Cost of sales decreased by approximately S\$26.1 million or 35.4%, from S\$73.9 million in HY2018 to S\$47.8 million in HY2019 mainly due to a decrease in direct material costs, lower subcontract cost and lower repair and maintenance cost in HY2019.

Direct material costs decreased by approximately S\$14.6 million or 52.5% from S\$27.8 million in HY2018 to S\$13.2 million in HY2019. The decrease was mainly due to the completion of certain material supply contracts at end of 2018, less construction materials required for the Group's civil engineering projects and less diesel consumed in HY2019.

Subcontract costs decreased by approximately S\$9.8 million or 56.3% from S\$17.4 million in HY2018 to S\$7.6 million in HY2019 due to less subcontractors engaged in HY2019 as most of the new projects secured in 2019 are machine intensive.

Repair and maintenance costs decreased by approximately S\$2.6 million or 37.1% from \$7.0 million in HY2018 to S\$4.4 million in HY2019 as a result of cost control measures implemented during HY2019.

Depreciation expenses on our income-generating assets increased by approximately S\$1.8 million or 30.0% from S\$6.0 million in HY2018 to S\$7.8 million in HY2019. The increase was mainly due to reclassification of assets classified as held for sale to Property Plant and Equipment ("PPE") as at 31 December 2018, addition of new plant and equipment and depreciation recorded upon the recognition of the RoU assets following the adoption of SFRS(I) 16 Leases as disclosed in paragraph 5.

Gross profit

As a result of the foregoing, the Group's gross profit decreased by approximately S\$2.9 million or 18.0% from S\$16.5 million in HY2018 to S\$13.6 million in HY2019. Gross profit margin increased from 18.3% in HY2018 to 22.1% in HY2019.

Other income

Other income increased by approximately S\$0.3 million or 14.5% from S\$1.6 million in HY2018 to S\$1.9 million in HY2019. The increase was mainly due to the amortisation of gain on sale and leaseback transactions made in prior year.

Administrative expenses

Administrative expenses decreased by approximately S\$0.4 million or 3.8% from S\$10.7 million in HY2018 to S\$10.3 million in HY2019 mainly due to decrease in staff cost and related expenses.

Other expenses

Other expenses in HY2019 amounted to S\$0.3 million as compared to S\$0.6 million in HY2018. The amount recorded in HY2018 was mainly a loss of S\$0.4 million from the disposal of plant and equipment in HY2019.

Finance costs

Finance costs increased by approximately S\$0.4 million or 31.0% from S\$1.3 million in HY2018 to S\$1.7 million in HY2019 primarily due to higher interest rate, higher utilisation of bank facilities as well as recognition of lease liabilities following the adoption of SFRS(I) 16 as disclosed in paragraph 5.

Share of profit of joint venture

The Group recorded a profit of S\$0.6 million from the share of profit of a joint venture company in HY2019 as compared S\$1.2 million in HY2018.

Profit before income tax

As a result of the above, the Group's profit before income tax decreased by approximately S\$3.0 million or 45.3% from S\$6.7 million in HY2018 to S\$3.7 million in HY2019.

Income tax expenses

Income tax expense decreased by approximately S\$0.5 million or 44.0% from S\$1.0 million in HY2018 to S\$0.5 million in HY2019 which was in line with the lower profit before income tax in HY2019.

Net profit

As a result of the above, net profit decreased by approximately S\$2.6 million or 45.6% from S\$5.7 million in HY2018 to S\$3.1 million in HY2019.

Net profit attributable to owners of the parent decreased by approximately S\$2.8 million or 46.5% from S\$5.9 million in HY2018 to S\$3.1 million in HY2019.

Statement of financial position of the Group as at 30 June 2019

Non-current Assets

As at 30 June 2019, the Group had a total of S\$98.1 million PPE as compared to S\$94.7 million as at 31 December 2018. The increase was mainly due to the additions of PPE of approximately S\$10.7 million, revaluation gain of approximately S\$0.5 million for the Group's leasehold property during the financial period, partially offset by the depreciation charge of S\$7.8 million.

The Group recognises RoU assets with corresponding lease liabilities following the adoption of SFRS(I) 16 as disclosed in paragraph 5. The RoU assets as at 30 June 2019 were mainly related to land rent for the Group's leasehold properties and the LSS batching plant.

As at 30 June 2019, the Group's financial assets at fair value through profit or loss amounted to S\$5.3 million which is comparable to the amount of S\$5.2 million recorded as at 31 December 2018.

As at 30 June 2019, the Group's investment in a joint venture increased by S\$0.6 million as compared to S\$1.8 million as at 31 December 2018 due to the share of profit of the joint venture in HY2019.

Current assets

Contract assets decreased by approximately S\$5.3 million to S\$68.0 million as at 30 June 2019 from S\$73.3 million as at 31 December 2018, mainly due to lower revenue generated from civil engineering projects as well as certification of progress claim in HY2019.

Trade and other receivables increased by approximately S\$6.0 million to S\$50.2 million as at 30 June 2019 from S\$44.2 million as at 31 December 2018 following progress billing invoiced for the contract assets towards the end of HY2019.

Inventory increased by approximately S\$0.5 million to S\$1.4 million as at 30 June 2019 from S\$0.9 million as at 31 December 2018, mainly due to hardware parts and consumables purchased for repair and maintenance of Group's machineries, equipment and vehicles.

Financial assets at fair value through other comprehensive income ("FVTOCI") decreased by approximately S\$1.2 million to S\$1.0 million as at 30 June 2019 from S\$2.2 million as 31 December 2018. The decrease was mainly due to the full redemption of a financial asset at FVTOCI upon maturity during the financial period.

Cash and cash equivalents decreased by approximately S\$7.4 million to S\$1.1 million as at 30 June 2019 when compared to S\$8.5 million as at 31 December 2018. Cash and cash equivalents were mainly used for meeting working capital requirements, repayment of bank loan and lease liabilities and purchasing of PPE during the financial period.

Current liabilities

Contract liabilities increased from S\$0.09 million as at 31 December 2018 to S\$0.6 million as at 30 June 2019, mainly due to advance billings made for certain projects as at 30 June 2019.

Trade and other payable increased by approximately \$4.1 million to S\$54.6 million as at 30 June 2019 from S\$50.5 million as at 31 December 2018 mainly due to additional PPE purchased during the financial period.

Lease liabilities payable within one year amounted to S\$15.1 million as at 30 June 2019 as compared to S\$15.0 million as at 31 December 2018. This is the net effect of repayment made during the financial period, additional purchase of plant and equipment under finance leases and recognition of lease liabilities related to RoU assets arising from the adoption of SFRS(I) 16 as disclosed in paragraph 5.

Short-term bank borrowings decreased by approximately S\$4.1 million to S\$44.4 million as at 30 June 2019 from S\$48.5 million as at 31 December 2018, mainly due to net repayment of banking facilities in HY2019.

Current income tax payable decreased by approximately S\$1.1 million to S\$1.1 million as at 30 June 2019 from S\$2.2 million as at 31 December 2018. The decrease was mainly due to the lower income tax recorded for HY2019.

Deferred income amounted to S\$0.8 million as at 30 June 2019 which was comparable to the amount recorded as at 31 December 2018.

Non-current liabilities

Total non-current liabilities decreased by S\$1.7 million to S\$43.3 million as at 30 June 2019 from S\$45.0 million as at 31 December 2018. The decrease was mainly due to repayment of bank borrowings and lease liabilities, amortisation of deferred income in HY2019 and partially offset by the recognition of lease liabilities related to RoU assets arising from the adoption of SFRS(I) 16 as disclosed in paragraph 5.

Working Capital

The Group posted a positive working capital of approximately S\$6.3 million as at 30 June 2019.

Statement of Cash flows of the Group for HY2019

As at 30 June 2019, the Group recorded cash and cash equivalents of S\$1.1 million as compared to S\$8.5 million as at 31 December 2018.

Net cash flows generated from operating activities for HY2019, after meeting working capital requirements and net of tax paid, were S\$9.4 million. Net working capital outflow of S\$1.3 million was the net effect of increase in trade and others receivables of S\$6.2 million, increase in inventories of S\$0.5 million, decrease in trade and other payables of S\$0.6 million and decrease in net contract assets of S\$5.9 million.

Net cash from investing activities for the HY2019, amounted to S\$1.0 million, mainly due to proceeds received from redemption of financial assets at FVTOCI of \$1.3 million, partially offset by purchase of additional PPE and additions to RoU assets of S\$0.4 million during HY2019.

Net cash used in financing activities for the HY2019 amounted to S\$17.8 million, was mainly due to net repayment of trust receipts of S\$13.9 million, repayment of lease liabilities of S\$8.6 million, interest payment of S\$1.6 million and net drawdown of bank loans of S\$6.3 million.

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

Not applicable. No forecast or prospect statement had been previously disclosed to shareholders.

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 Building and Construction Authority (“BCA”) has projected the total construction demand or the value of construction contracts to be awarded in 2019 to range between \$27 billion and \$32 billion, comparable to the S\$30.5 billion awarded in 2018, due to sustained public sector construction demand and steady private sector’s construction demand¹.

The Group will continue to leverage on its reputation as a key industry player with its track record to seek opportunities both in public infrastructure projects and private sector’s construction projects.

11. If a decision regarding dividend has been made:-

(a) Whether an interim (final) ordinary dividend has been declared (recommended); and

No dividend has been declared or recommended for HY2019.

(b)(i) Amount per share (cents)

Not applicable.

(b)(ii) Previous corresponding period (cents)

Not applicable.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of the shareholders, this must be stated).

Not applicable as no dividend has been declared or recommended for HY2019.

(d) The date the dividend is payable.

Not applicable as no dividend has been declared or recommended for HY2019.

(e) Book closure date

Not applicable as no dividend has been declared or recommended for HY2019.

12. If no dividend has been declared/recommended, a statement to that effect and reason(s) for the decision

No interim dividend has been declared or recommended for HY2019, as the Board of Directors deems it appropriate to reserve adequate resources for the Group’s business activities.

¹ BCA media release “Singapore’s total construction demand remain strong this year”, 14 January 2019 (https://www.bca.gov.sg/newsroom/MR_Prospect2019.html)

13. If the group has obtained a general mandate from shareholders for interested person transactions (“IPT”), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

Other than the IPTs disclosed in paragraph (c)(i) of page 156 of the offer document dated 1 December 2014 as set out in the below table, there were no additional IPTs of S\$100,000 and above for the financial period under review.

| Name of Interested Person | Aggregate value of all interested person transactions during the financial period 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 during the financial period under review under shareholders’ mandate pursuant to Rule 920 (excluding transactions less than \$100,000) |
|---|---|--|
| NHL Holding Pte Ltd (“NHL”) | S\$000 | S\$000 |
| – Lease of construction equipment and vehicles from NHL | 1,385 | Not applicable |

The Group does not have a general mandate from shareholders for recurrent interested person transactions.

14. Use of IPO proceeds

The Company refers to the net proceeds amounting to S\$4.1 million (excluding listing expenses of approximately S\$1.4 million) raised from the IPO on the Catalist Board of the SGX-ST on 9 December 2014. As at the date of this announcement, the status on the use of the IPO net proceeds is as follows:

| Use of Proceeds | Amount Allocated (S\$’000) | Amount Utilised (S\$’000) | Amount Unutilised (S\$’000) |
|--|----------------------------|---------------------------|-----------------------------|
| To explore opportunities in mergers and acquisitions, joint ventures and strategic alliances | 1,500 | (170) | 1,330 |
| To increase LSS production | 1,000 | (1,000) | - |
| General working capital purposes | 1,611 | (1,611) ⁽¹⁾ | - |
| Listing expenses | 1,389 | (1,389) | - |
| Total | 5,500 | (4,170) | 1,330 |

Note:

(1) Amount for general working capital purpose has been utilised for the payment of general and administrative expenses.

The above utilisations are in accordance with the intended use of the IPO net proceeds and percentage allocated, as stated in the offer document dated 1 December 2014.

15. Confirmation pursuant to Rule 705 (5) of the Catalist Listing Manual

The Board of Directors of the Company confirm that to the best of their knowledge, nothing has come to their attention which may render the unaudited financial statements for the financial period ended 30 June 2019 to be false or misleading in any material aspects.

16. Confirmation that the issuer has procured undertakings from all its Directors and Executive Officers (in the format set out in Appendix 7H) under Rule 720(1)

The Company confirms that it has procured undertakings from all its Directors and Executive Officers (in the format set out in Appendix 7H) pursuant to Rule 720(1) of the Catalist Rules.

BY ORDER OF THE BOARD

Ng Kian Ann Patrick
Executive Director and CEO

14 August 2019

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") in accordance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist.

This announcement has not been examined or approved by the SGX-ST. The SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr Joseph Au, Associate Director, Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg).