

Huatong Global Limited

Unaudited Financial Statements and Dividend Announcement for Financial Year Ended 31 December 2017



HUATONG GLOBAL LIMITED
(Company Registration Number: 201422395Z)

**Unaudited Financial Statement and Dividend Announcement
For the Financial Year Ended 31 December 2017 (“FY2017”)**

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”) for compliance with the Singapore Exchange Securities Trading Limited (the “SGX-ST”) Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this announcement.

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

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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		
	FY2017	FY2016	(+/-)
	Unaudited S\$'000	Audited S\$'000	%
Revenue	157,234	117,191	34.2
Cost of sales and services	(124,630)	(93,915)	32.7
Gross profit	32,604	23,276	40.1
Other income	2,059	3,728	(44.8)
Administrative expenses	(21,655)	(18,303)	18.3
Other expenses	(2,496)	(1,333)	87.2
Finance costs	(2,097)	(2,189)	(4.2)
Share of result of joint venture	96	(89)	nm
Profit before income tax	8,511	5,090	67.2
Income tax expense	(1,050)	(1,314)	(20.1)
Net profit for the year	7,461	3,776	97.6
Other comprehensive income:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Fair value changes on available-for-sale financial assets	25	(600)	nm
Reclassification of fair value loss in available-for-sale financial assets to profit or loss	214	781	(72.6)
Gain on revaluation of property, plant and equipment	846	874	(3.2)
Other comprehensive income for the financial year	1,085	1,055	2.8
Total comprehensive income for the financial year	8,546	4,831	76.9
Profit attributable to:			
Owners of the parent	7,900	4,073	94.0
Non-controlling interests	(439)	(297)	47.8
	7,461	3,776	97.6
Total comprehensive income attributable to:			
Owners of the parent	8,985	5,128	75.2
Non-controlling interests	(439)	(297)	47.8
	8,546	4,831	76.9

nm denotes not meaningful

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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		
	FY2017	FY2016	(+/-)
	Unaudited S\$'000	Audited S\$'000	%
Depreciation of property, plant and equipment	15,162	15,063	0.7
Amortisation of intangible assets	8	3	166.7
Allowance for doubtful debts	1,203	12	nm
Allowance for impairment of available-for-sale financial assets	277	781	(64.5)
Impairment of plant and equipment	153	-	nm
Interest expenses	1,902	2,060	(7.7)
Employee benefits expense	34,737	29,354	18.3
Operating lease expense	7,030	7,193	(2.3)
Interest income	(197)	(205)	(3.9)
Loss/(gain) on disposal of plant and equipment	40	(1,336)	nm
Amortisation of gain on sale and leaseback transactions	(99)	(99)	0.0
Foreign exchange (gain)/loss, net	(87)	14	nm
Under/(Over) provision of income tax in respect of prior years	36	(180)	nm

nm denotes not meaningful

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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	
	31.12.2017 Unaudited S\$'000	31.12.2016 Audited S\$'000	31.12.2017 Unaudited S\$'000	31.12.2016 Audited S\$'000
Assets				
Non-current assets				
Property, plant and equipment	89,163	104,966	-	-
Available-for-sale financial assets	4,957	5,185	-	-
Investments in subsidiaries	-	-	41,735	41,735
Investment in a joint venture	177	81	-	-
Prepayments	207	440	-	-
Intangible asset	106	76	22	23
	94,610	110,748	41,757	41,758
Current assets				
Amount due from contract customers	54,080	21,961	-	-
Available-for-sale financial assets	2,344	2,599	-	-
Inventories	2,633	2,076	-	-
Trade and other receivables	54,367	32,317	3,029	3,029
Prepayments	1,060	1,049	8	8
Cash and bank balances	4,228	14,313	264	1,196
	118,712	74,315	3,301	4,233
Assets classified as held for sale	11,156	-	-	-
Total current assets	129,868	74,315	3,301	4,233
Total assets	224,478	185,063	45,058	45,991
Liabilities				
Current liabilities				
Amounts due to contract customers	11,507	7,999	-	-
Trade and other payables	45,465	29,666	125	103
Finance lease payables	13,209	17,079	-	-
Bank borrowings	42,374	21,343	-	-
Deferred income	99	99	-	-
Current income tax payable	645	614	-	-
	113,299	76,800	125	103
Liabilities directly associated with assets classified as held for sale	2,581	-	-	-
Total current liabilities	115,880	76,800	125	103

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	Group		Company	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	Unaudited S\$'000	Audited S\$'000	Unaudited S\$'000	Audited S\$'000
Non-current liabilities				
Other payables	-	1,852	-	-
Finance lease payables	20,217	29,424	-	-
Bank borrowings	16,602	13,646	-	-
Deferred income	41	141	-	-
Deferred tax liabilities	6,107	5,509	-	-
	42,967	50,572	-	-
Total liabilities	158,847	127,372	125	103
Net assets	65,631	57,691	44,933	45,888
Equity				
Share capital	38,676	38,676	38,676	38,676
Other reserves	(14,906)	(15,991)	-	-
Accumulated profits	42,448	35,154	6,257	7,212
Equity attributable to owners of the parent	66,218	57,839	44,933	45,888
Non-controlling interests	(587)	(148)	-	-
Total equity	65,631	57,691	44,933	45,888

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

	As at 31 December 2017 (Unaudited)			As at 31 December 2016 (Audited)		
	Secured	Unsecured	Total	Secured	Unsecured	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Repayable within one year	28,344	29,820	58,164	27,045	11,377	38,422
Repayable after one year	35,477	1,342	36,819	41,070	2,000	43,070
Total	63,821	31,162	94,983	68,115	13,377	81,492

Secured Borrowings
Bank borrowings

As at 31 December 2017, the Group's bank borrowings amounted to S\$58,976,000 (FY2016: S\$34,989,000), of which S\$27,814,000 (FY2016: S\$21,612,000) was secured by mortgages over a leasehold property and beneficial interest arising from certain insurance policies undertaken by the Group.

Obligations under finance lease

As at 31 December 2017, the Group's obligations under finance leases amounted to S\$36,007,000 (FY2016: S\$46,503,000). Finance leases were secured by the Group's leased plant and equipment with net carrying amount of S\$59,275,000 as at 31 December 2017 (FY2016: S\$68,803,000).

All the bank borrowings and finance leases were supported by corporate guarantees given by the Company.

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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	
	FY2017 Unaudited S\$'000	FY2016 Audited S\$'000
Cash flows from operating activities		
Profit before income tax	8,511	5,090
Adjustments for:		
Depreciation of property, plant and equipment	15,162	15,063
Amortisation of intangible assets	8	3
Allowance for impairment of trade receivables	1,203	12
Allowance for impairment of available-for-sale financial assets	277	781
Loss/(Gain) on disposal of plant and equipment	40	(1,336)
Amortisation of gain on sale and leaseback transactions	(99)	(99)
Provision for impairment of plant and equipment	153	-
Interest expense	1,902	2,060
Interest income	(197)	(205)
Share of results of joint venture	(96)	89
Unrealised exchange difference	70	25
Operating cash flows before working capital changes	26,934	21,483
Working capital changes:		
Trade and other receivables	(22,896)	(1,007)
Prepayments	223	34
Amounts due from contract customers, net	(28,611)	(2,917)
Inventories	(557)	(1,889)
Trade and other payables	12,917	1,987
Cash (used in)/generated from operations	(11,990)	17,691
Interest received	195	205
Income tax paid	(421)	(765)
Net cash (used in)/from operating activities	(12,216)	17,131
Cash flows from investing activities		
Investment in a joint venture	-	(170)
Purchase of property, plant and equipment	(3,505)	(1,678)
Additions to intangible assets	(39)	(68)
Proceeds from disposal of property, plant and equipment	848	994
Proceeds from redemption of available-for-sale financial assets	50	-
Net cash used in investing activities	(2,646)	(922)

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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	
	FY2017	FY2016
	Unaudited S\$'000	Audited S\$'000
Cash flows from financing activities		
Proceeds from trust receipts	87,859	47,443
Repayment of trust receipts	(69,574)	(49,027)
Proceeds from term loans	8,827	5,000
Repayment of term loans	(2,799)	(4,020)
Interest paid	(1,902)	(2,060)
Dividends paid	(606)	(454)
Repayment of finance lease payables	(17,028)	(17,587)
Net cash from/(used in) financing activities	4,777	(20,705)
Net change in cash and bank balances	(10,085)	(4,496)
Cash and bank balances at beginning of the financial year	14,313	18,809
Cash and bank balances at end of the financial year	4,228	14,313

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 at 1 January 2017	38,676	7,212	45,888
Profit for the financial year, representing total comprehensive income for the financial year	-	(349)	(349)
Dividends	-	(606)	(606)
Balance as at 31 December 2017	38,676	6,257	44,933
(Audited)			
Balance at 1 January 2016	38,676	(467)	38,209
Profit for the financial year, representing total comprehensive income for the financial year	-	8,133	8,133
Dividends	-	(454)	(454)
Balance as at 31 December 2016	38,676	7,212	45,888

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Consolidated Statement of Changes in equity

Group	Attributable to owners of the company					Non-controlling Interests	Total equity
	Share capital	Accumulated profits	Other reserves	Equity attributable to owners of the parent			
(Unaudited)	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2017	38,676	35,154	(15,991)	57,839	(148)	57,691	
Profit for the financial year	-	7,900	-	7,900	(439)	7,461	
Other comprehensive income							
Gain on revaluation of property, plant and equipment	-	-	846	846	-	846	
Fair value changes on available-for-sale financial assets	-	-	25	25	-	25	
Reclassification of fair value loss in available-for-sale financial assets to profit or loss	-	-	214	214	-	214	
	-	-	1,085	1,085	-	1,085	
Total comprehensive income for the financial year	-	7,900	1,085	8,985	(439)	8,546	
Transactions with owners of the parent:							
Dividends	-	(606)	-	(606)	-	(606)	
Total transactions with owners of the parent	-	(606)	-	(606)	-	(606)	
Balance at 31 December 2017	38,676	42,448	(14,906)	66,218	(587)	65,631	
(Audited)							
Balance at 1 January 2016	38,676	31,535	(17,046)	53,165	149	53,314	
Profit for the financial year	-	4,073	-	4,073	(297)	3,776	
Other comprehensive income							
Gain on revaluation of property, plant and equipment	-	-	874	874	-	874	
Fair value changes on available-for-sale financial assets	-	-	(600)	(600)	-	(600)	
Reclassification of fair value loss in available-for-sale financial assets to profit or loss	-	-	781	781	-	781	
	-	-	1,055	1,055	-	1,055	
Total comprehensive income for the financial year	-	4,073	1,055	5,128	(297)	4,831	
Transactions with owners of the parent:							
Dividends	-	(454)	-	(454)	-	(454)	
Total transactions with owners of the parent	-	(454)	-	(454)	-	(454)	
Balance at 31 December 2016	38,676	35,154	(15,991)	57,839	(148)	57,691	

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 30 June 2017 to 31 December 2017.

There were no outstanding options, convertibles, treasury shares or subsidiary holdings as at 31 December 2017 and 31 December 2016.

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

	31.12.2017	31.12.2016
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 paragraph 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 2016 ("FY2016").

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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

Except for the adoption of the new Singapore Financial Reporting Standards (“FRS”) and Amendments to FRS applicable for the financial year beginning on or after 1 January 2017, the same accounting policies and methods of computations have been applied in the financial statements for the current reporting year as those of the audited consolidated financial statements for the financial year ended 31 December 2016.

The adoption of new FRS and Amendments to FRS did not result in any significant change to the Group’s accounting policies, and has no material impact on the financial statements of the Group for the current financial reporting year.

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	
	FY2017 Unaudited	FY2016 Audited
Profit attributable to owners of the Company (S\$'000)	7,900	4,073
Weighted average number of ordinary shares	151,384,600	151,384,600
Basic and diluted EPS (Singapore cents)	5.22	2.69

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

(b) The basic and diluted EPS are the same as there were no potential dilutive ordinary shares in issue as at 31 December 2017 and 31 December 2016.

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	
	31.12.2017 Unaudited	31.12.2016 Audited	31.12.2017 Unaudited	31.12.2016 Audited
Net asset value per ordinary share (Singapore cents)	43.7	38.2	29.7	30.3
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 year ended 31 December 2017 ("FY2017") vs. for year ended 31 December 2016 ("FY2016")

Revenue

Revenue increased by S\$40.0 million or 34.2% from S\$117.2 million in FY2016 to S\$157.2 million in FY2017 mainly due to higher revenue from the Group's civil engineering services and sale of construction materials segments, partially offset by lower revenue derived from the inland logistics segment.

Revenue from the civil engineering services increased by approximately S\$36.4 million or 40.2% from S\$90.8 million in FY2016 to S\$127.2 million in FY2017. The increase was mainly due to most of the additional contracts the Group secured in 2016 were in full swing in FY2017 especially second half of 2017.

Revenue from the sale of construction materials segment increased by approximately S\$10.6 million more than doubled from S\$10.1 million in FY2016 to S\$20.7 million in FY2017. The increase was mainly due to higher demand of construction materials from our customers.

Revenue from the inland logistics segment reduced by approximately S\$7.0 million or 42.9% from S\$16.3 million in FY2016 to S\$9.3 million in FY2017. The decrease was mainly a result of lower rental income from tipper trucks which were used internally to support the increased activities of the Group's other business segments and lower income from our concrete pump business due to lower demand in FY2017.

Cost of sales and services

Cost of sales increased by approximately S\$30.7 million or 32.7%, from S\$93.9 million in FY2016 to S\$124.6 million in FY2017 mainly due to increased sub-contracting works, higher repair and maintenance costs, increased direct material costs and higher direct labour cost in FY2017.

Sub-contract costs increased by approximately S\$16.9 million from S\$17.3 million in FY2016 to S\$34.2 million in FY2017 mainly due to engagement of more third party transportation companies to support the increased transactions in the Group's sale of construction material segment as well as to support the concurrent operation of several civil engineering projects in FY2017.

Direct material costs increased by approximately S\$6.4 million or 20.3% from S\$31.5 million in FY2016 to S\$37.9 million in FY2017. The increase was mainly a result of increased revenue from the Group's sale of construction materials segment and increased fuel costs resulted from the introduction of a volume-based duty structure to replace the lump-sum special tax on diesel by the Singapore government in FY2017 in addition to the higher fuel prices in FY2017.

Repair and maintenance costs increased by approximately S\$3.9 million or 70.9% from \$5.5 million in FY2016 to S\$9.4 million in FY2017. The increase was in line with intensive use of our

machines and vehicles to support our projects as well as increased fleet of machineries and vehicles during the last year.

Direct labour costs increased by approximately S\$1.5 million or 9.6% from S\$15.6 million in FY2016 to S\$17.1 million in FY2017 as more labour was deployed due to more projects were concurrently in operation in 2017 as most of the new projects secured in 2016 were in full swing in FY2017.

The increase was also partially due to the freight charges of S\$1.1 million incurred for importing construction material and spare parts in FY2017.

Depreciation expenses on our income-generating assets in FY2017 amounted to S\$14.5 million which is comparable to the amount recorded in FY2016.

Gross profit

As a result of the foregoing, the Group's gross profit increased by approximately S\$9.3 million or 40.1% from S\$23.3 million in FY2016 to S\$32.6 million in FY2017. Gross profit margin increased from 19.9% in FY2016 to 20.7% in FY2017.

Other income

Other income decreased by approximately S\$1.6 million or 44.8% from S\$3.7 million in FY2016 to S\$2.1 million in FY2017. The decrease was mainly due to the absence of gain on disposal of machinery and equipment of S\$1.3 million recorded in FY2016 as well as lower income from leasing of property and operating facilities in FY2017.

Administrative expenses

Administrative expenses increased by approximately S\$3.4 million or 18.3% from S\$18.3 million in FY2016 to S\$21.7 million in FY2017 mainly due to increase in staff cost and related expenses arising from increased headcount to manage new contracts the Group secured in 2016 which were in full swing in FY2017 as well as the upward adjustments to the foreign levy with effect from 1 July 2016 and 1 July 2017.

Other expenses

Other expenses increased by approximately S\$1.2 million or 87.2% from S\$1.3 million in FY2016 to S\$2.5 million in FY2017 mainly due to an allowance for impairment of trade receivables of S\$1.2 million and an impairment loss on plant and equipment of \$0.2 million made in FY2017 partially offset by a decrease in impairment of an available-for-sales financial assets of S\$0.5 million in FY2017.

Finance costs

Finance costs decreased by approximately S\$0.1 million or 4.2% from S\$2.2 million in FY2016 to S\$2.1 million in FY2017 primarily due to full settlement of the finance lease payables for some of the finance leases during FY2017.

Share of profit of joint venture

The Group recorded a profit of S\$96,000 from the share of profit of a joint venture company in FY2017 as compared a loss of S\$89,000 in FY2016

Profit before income tax

As a result of the above, the Group's profit before income tax increased by approximately S\$3.4 million or 67.2% from S\$5.1 million in FY2016 to S\$8.5 million in FY2017.

Income tax expenses

Income tax expense reduced by approximately S\$0.2 million or 20.1% from S\$1.3 million in FY2016 to S\$1.1 million in FY2017 which was a result of the net impact of higher profit before tax and utilisation of group relief in FY2017.

Net profit

As a result of the above, net profit increased by approximately S\$3.7 million or 97.6% from S\$3.8 million in FY2016 to S\$7.5 million in FY2017.

Net profit attributable to owners of the parent increased by approximately S\$3.8 million or 94.0% from S\$4.1 million in FY2016 to S\$7.9 million in FY2017.

Statement of financial position of the Group as at 31 December 2017

Non-current Assets

As at 31 December 2017, the Group had a total of S\$89.2 million Property Plant and Equipment ("PPE") as compared to S\$105.0 million as at 31 December 2016. The decrease was mainly due to the reclassification of S\$11.2 million to assets held for sale as the Group intends to sell these assets in the coming year (the "Reclassification"), the depreciation charge of S\$15.2 million and a disposal of PPE with a carrying amount of S\$0.9 million, partially offset by the additions of PPE of approximately S\$10.9 million and revaluation gain of approximately S\$0.8 million during the financial year.

As at 31 December 2017, the Group's available-for-sales financial assets ("AFS") amounted to S\$5.0 million as compared to S\$5.2 million as 31 December 2016. The decrease was mainly due to the unrealised exchange loss of S\$0.4 million partially offset by an increase in the fair value of these AFS of S\$0.2 million during the financial year.

As at 31 December 2017, the Group's investment in a joint venture increased by S\$7,000 from the initial investment of S\$170,000 due to the share of the accumulated profits of the joint venture.

Current assets

Amount due from contract customers increased by approximately S\$32.1 million to S\$54.1 million as at 31 December 2017 from S\$22.0 million as at 31 December 2016, mainly due to a higher amount of unbilled revenue as at 31 December 2017.

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Trade and other receivables increased by approximately S\$22.1 million to S\$54.4 million as at 31 December 2017 from S\$32.3 million as at 31 December 2016 in tandem with the increased revenue in FY2017.

As at 31 December 2017, the Group recorded assets held for sale amounted to S\$11.2 million as the Group intends to sell these assets in the coming year.

Inventory increased by approximately S\$0.5 million to S\$2.6 million as at 31 December 2017 from S\$2.1 million as at 31 December 2016, mainly due to purchasing of construction material during the year to cater for Group's projects. The increase was partially offset by drawing down of hardware parts and consumables for repair and maintenance of Group's machineries, equipment and vehicles in FY2017.

Current AFS decreased by approximately S\$0.3 million to S\$2.3 million as at 31 December 2017 from S\$2.6 million as 31 December 2016 due to a net decrease in the fair value of the AFS as well as partial redemption of an AFS during the financial year.

Prepayment as at 31 December 2017 amounted to S\$1.1 million which was comparable to the amount recorded as at 31 December 2016.

Cash and bank balances decreased by approximately S\$10.1 million to S\$4.2 million as at 31 December 2017 when compared to S\$14.3 million as at 31 December 2016. Cash and bank balances were mainly used for meeting working capital requirements, purchasing of PPE and repayment of bank loan and finance lease liabilities during the financial year.

Current liabilities

Amount due to contract customers increased by approximately S\$3.5 million to S\$11.5 million as at 31 December 2017 from S\$8.0 million as at 31 December 2016, mainly due to more advanced billing for certain projects as at 31 December 2017.

Trade and other payable increased by approximately \$15.8 million to S\$45.5 million as at 31 December 2017 from S\$29.7 million as at 31 December 2016 in tandem with the increased cost of sales. The increase was also partially due to additional PPE purchased during FY2017 to support the Group's projects.

Finance lease payables decreased by approximately S\$3.9 million to S\$13.2 million as at 31 December 2017 when compared to S\$17.1 million as at 31 December 2016, mainly due to repayment of the finance leases and the Reclassification during the financial year.

Short-term bank borrowings increased by approximately S\$21.1 million to S\$42.4 million as at 31 December 2017 from S\$21.3 million as at 31 December 2016, mainly due to additional drawdown of short-term banking facilities in FY2017 for working capital purposes.

Current income tax payable as at 31 December 2017 amounted to S\$0.6 million which was comparable to the amount recorded as at 31 December 2016.

As at 31 December 2017, liabilities directly associated with assets classified as held for sale amounted to S\$2.6 million.

Non-current liabilities

Total non-current liabilities decreased by S\$7.6 million to S\$43.0 million as at 31 December 2017 from S\$50.6 million as at 31 December 2016, mainly due to i) a decrease of finance lease payables of approximately S\$9.2 million resulted from repayment of the finance lease in FY2017 and the Reclassification, and ii) reclassification of non-current other payables to current other payables amounting S\$1.8 million. The decrease was partially offset by an increase in bank borrowings of approximately S\$3.0 million and additional deferred tax liabilities of approximately S\$0.6 million recorded in FY2017.

Working Capital

The Group posted a positive working capital of approximately S\$14.0 million as at 31 December 2017.

Statement of Cash flows of the Group for FY2017

As at 31 December 2017, the Group recorded cash and cash equivalents of S\$4.2 million as compared to S\$14.3 million as at 31 December 2016.

Cash flows generated from operating activities for FY2017 amounted S\$26.9 million had been utilised to meet the Group's working capital requirements. The net operating cash outflows were mainly due to increased sales towards the end of the financial year and unbilled revenue as at 31 December 2017.

Net cash used in investing activities for the FY2017, amounted to S\$2.6 million, mainly due to the purchase of additional PPE of S\$3.5 million, partially offset by proceeds received from disposal of PPE of S\$0.8 million during the financial year.

Net cash from financing activities for the FY2017 amounted to S\$4.8 million, was mainly due to the net effect of net drawdown of trust receipts of S\$18.3 million, net drawdown of bank loans of S\$6.0 million, repayment of finance lease payables of S\$17.0 million, interest payment of S\$1.9 million and dividend paid of S\$0.6 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 2018 to reach between \$26 billion and \$31 billion, up from the S\$24.5 billion awarded in 2017, due to an anticipated increase in both public sector and private sector's construction demand¹. Public construction demand which is expected

¹ BCA media release "Public sector construction demand is expected to strengthen this year", 11 January 2018 (https://www.bca.gov.sg/newsroom/others/PR_prospectseminar2018.pdf)

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to be boosted by an anticipated increase in demand for institutional and other buildings such as healthcare facilities, and civil engineering works as well as a slate of smaller government projects that have been brought forward in response to the slowdown in the previous years, contributing about 60% of the total construction demand. The private sector's construction demand is similarly expected to improve from \$9 billion in 2017 to between \$10 billion and \$12 billion in 2018, on the back of a strengthened overall economic outlook and the upturn in property market sentiment.

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.

Over the longer term, the Group aims to enhance its position as one of the leading civil engineering service and solutions providers in the infrastructure sector, through constantly enhance our efficiency and competitiveness move up the value chain and maximise shareholder value.

The Company is also exploring business opportunities to provide alternative revenue streams(s) to the Group and will seek shareholders' approval for business diversification mandate as and when appropriate.

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

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

Yes.

Name of Dividend	Final Tax Exempt Dividend
Dividend Type	Cash
Dividend Amount per Share	S\$0.0055 per ordinary share
Tax Rate	Tax-exempt one-tier

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

Refer 11 (a) above.

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

Name of Dividend	Final Tax Exempt Dividend
Dividend Type	Cash
Dividend Amount per Share	S\$0.004 per ordinary share
Tax Rate	Tax-exempt one-tier

(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).

The proposed final dividend is a tax exempt dividend.

(d) The date the dividend is payable.

The proposed final tax exempt dividends, if approved at the forthcoming annual general meeting of the Company, will be paid at a date to be announced in due course.

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(e) Book closure date

The books closure date for the proposed final tax exempt dividend will be announced at a later date.

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

Not applicable.

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 Restructuring Exercise and interested person transactions as disclosed on pages 66 and 151 to 166 of the offer document dated 1 December 2014 respectively, there were no additional interested person transactions of S\$100,000 and above during the financial year under review. Details of the additional interested person transactions of S\$100,000 and above are as follows:

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	3,226	Not applicable
– Lease of dormitories to Huatong Contractor Pte Ltd from NHL	301	Not applicable
NB Auto Pte Ltd (“NB Auto”)		
– Lease of commercial vehicles from NB Auto	124	Not applicable

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

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14. Segmented revenue and results for operating 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.

Business segment	Civil engineering service	Inland logistics support	Sale of construction materials	Unallocated	Elimination	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
FY2017 (Unaudited)						
<u>Revenue</u>						
External revenue	127,266	9,298	20,670	-	-	157,234
Inter-segment revenue	3,214	1,653	765	-	(5,632)	-
	<u>130,480</u>	<u>10,951</u>	<u>21,435</u>	<u>-</u>	<u>(5,632)</u>	<u>157,234</u>
<u>Segment results</u>	31,324	857	423	(22,484)	-	10,120
Share on results in a joint venture	96	-	-	-	-	96
Interest income						197
Interest expenses						(1,902)
Profit before income tax						8,511
Income tax expense						(1,050)
Profit for the financial year						<u>7,461</u>
<u>Non-cash items</u>						
Amortisation of gain on sale and leaseback transactions	99	-	-	-	-	99
Loss on disposal of plant and equipment	-	-	-	(40)	-	(40)
Depreciation of property, plant and equipment	(12,739)	(701)	(1,055)	(667)	-	(15,162)
Amortisation of intangible assets	-	-	-	(8)	-	(8)
Reversal for impairment of available-for-sale financial assets	(277)	-	-	-	-	(277)
Allowance for impairment of trade receivables	(1,179)	-	(24)	-	-	(1,203)
FY2016 (audited)						
<u>Revenue</u>						
External revenue	90,797	16,254	10,140	-	-	117,191
Inter-segment revenue	1,493	2,061	2,489	-	(6,043)	-
	<u>92,290</u>	<u>18,315</u>	<u>12,629</u>	<u>-</u>	<u>(6,043)</u>	<u>117,191</u>
<u>Segment results</u>	18,809	3,293	1,173	(16,241)	-	7,034
Share on results in a joint venture	(89)					(89)
Interest income						205
Interest expenses						(2,060)
Profit before income tax						5,090
Income tax expense						(1,314)
Profit for the financial year						<u>3,776</u>
<u>Non-cash items</u>						
Amortisation of gain on sale and leaseback transactions	99	-	-	-	-	99
Gain on disposal of plant and equipment	-	-	-	1,336	-	1,336
Depreciation of property, plant and equipment	(12,526)	(1,215)	(754)	(568)	-	(15,063)
Amortisation of intangible assets	-	-	-	(3)	-	(3)
Gain on disposal of available-for-sale financial assets	-	-	-	(781)	-	(781)
Allowance for impairment of trade receivables	(12)	-	-	-	-	(12)

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15. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the operating segments.

Please refer to Paragraph 8 above for details.

16. Breakdown of Group's revenue and profit/ (loss) after tax for first half year and second half year

	FY2017 (Unaudited)	FY2016 (Unaudited)	Increase/ (Decrease)
	\$'000	\$'000	%
(a) Sales reported for first half year	67,801	61,228	10.7
(b) Operating profit/loss after tax before deducting minority interests reported for first half year	5,061	2,664	90.0
(c) Sales reported for second half year	89,433	55,963	59.8
(d) Operating profit/loss after tax before deducting minority interests reported for second half year	2,400	1,112	115.8

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

	FY2017 S\$	FY2016 S\$
Ordinary shares (tax exempt one-tier) Final ⁽¹⁾	832,615	605,539
Total annual dividend	832,615	605,539

Note:-

(1) The proposed final tax exempt dividends are subject to shareholders' approval at the forthcoming annual general meeting of the Company.

18. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704 (10)

Name	Age	Family relationship with any director, CEO and/or substantial shareholder	Current position and duties, and the year the position was first held	Details of changes in duties and position held, if any, during the year
Ng Swee Seng	46	Nephew of Mr Ng Hai Liong	Site Manager/ 2017	Changed from Workshop Manager
Ng Say Beng Charlie	51	Nephew of Mr Ng Hai Liong	Site Manager/ 2011	No Change

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19. 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.

20. 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
1 March 2018