

**Huatong Global Limited**

Unaudited Financial Statements and Dividend Announcement for Financial Year Ended 31 December 2016

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**HUATONG GLOBAL LIMITED**

(Company Registration Number: 201422395Z)

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**Unaudited Financial Statement and Dividend Announcement  
For the Financial Year Ended 31 December 2016 (“FY2016”)**

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*This announcement has been prepared by the Company and its contents have been reviewed by the Sponsor for compliance with the SGX-ST Listing Manual Section B: Rules of Catalyst. 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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**Huatong Global Limited**

Unaudited Financial Statements and Dividend Announcement for Financial Year Ended 31 December 2016

## PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 &amp; 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		
	FY2016	FY2015	(+/-)
	Unaudited S\$'000	Restated* S\$'000	%
<b>Revenue</b>	<b>117,191</b>	<b>130,188</b>	<b>(10.0)</b>
Cost of sales and services	(93,915)	(104,022)	(9.7)
<b>Gross profit</b>	<b>23,276</b>	<b>26,166</b>	<b>(11.0)</b>
Other income	3,728	2,779	34.1
Administrative expenses	(18,303)	(18,731)	(2.3)
Other expenses	(1,333)	(2,257)	(40.9)
Finance costs	(2,189)	(2,018)	8.5
Share of result of joint venture	(89)	#	nm
<b>Profit before income tax</b>	<b>5,090</b>	<b>5,939</b>	<b>(14.3)</b>
Income tax expense	(1,314)	(1,097)	19.8
<b>Net profit for the year</b>	<b>3,776</b>	<b>4,842</b>	<b>(22.0)</b>
<b>Other comprehensive income:</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Fair value changes on available-for-sale financial assets	(600)	23	nm
Reclassification of fair value loss in available-for-sale financial assets to profit or loss	781	-	nm
Reclassification of gains included in available-for-sale reserve	-	(13)	(100.0)
Gain on revaluation of property, plant and equipment	874	2,415	(63.8)
<b>Other comprehensive income for the financial year</b>	<b>1,055</b>	<b>2,425</b>	<b>(56.5)</b>
<b>Total comprehensive income for the financial year</b>	<b>4,831</b>	<b>7,267</b>	<b>(33.5)</b>
<b>Profit attributable to:</b>			
Owners of the parent	4,073	5,051	(19.4)
Non-controlling interests	(297)	(209)	42.1
	<b>3,776</b>	<b>4,842</b>	<b>(22.0)</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent	5,128	7,476	(31.4)
Non-controlling interests	(297)	(209)	42.1
	<b>4,831</b>	<b>7,267</b>	<b>(33.5)</b>

*nm denotes not meaningful**# denotes amount less than S\$1,000**\* The FY2015 comparatives have been restated, please refer to paragraph 5 for details.*

**Huatong Global Limited**

Unaudited Financial Statements and Dividend Announcement for Financial Year Ended 31 December 2016

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

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

	Group		
	FY2016	FY2015	(+/-)
	Unaudited S\$'000	Restated* S\$'000	%
Depreciation of property, plant and equipment	15,063	13,441	12.1
Amortisation of intangible assets	4	-	nm
Allowance for doubtful debts and bad debts written off	12	1,511	(99.2)
Allowance for impairment of available-for-sale financial assets	781	-	nm
Interest expenses	2,060	1,776	16.0
Employee benefits expense	29,405	31,397	(6.3)
Operating lease expense	7,197	9,423	(23.6)
Interest income	(205)	(245)	(16.3)
Gain on disposal of plant and equipment	(1,435)	(130)	nm
Gain on disposal on available-for-sale financial assets	-	(33)	(100.0)
Foreign exchange (gain)/loss, net	(15)	126	nm
(Over)/under provision of income tax in respect of prior years	(265)	37	nm

*nm denotes not meaningful**\* The FY2015 comparatives have been restated, please refer to paragraph 5 for details.*

**Huatong Global Limited**

Unaudited Financial Statements and Dividend Announcement for Financial Year Ended 31 December 2016

**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	
	31.12.2016 Unaudited S\$'000	31.12.2015 Restated* S\$'000	31.12.2016 Unaudited S\$'000	31.12.2015 Audited S\$'000
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	104,965	109,381	-	-
Available-for-sale financial assets	5,185	4,913	-	-
Investments in subsidiaries	-	-	41,735	33,235
Investment in a joint venture	81	#	-	-
Prepayments	441	679	-	-
Intangible asset	76	11	23	-
	110,748	114,984	41,758	33,235
<b>Current assets</b>				
Amount due from contract customers	21,961	21,319	-	-
Available-for-sale financial assets	2,599	3,359	-	-
Inventories	2,076	187	-	-
Trade and other receivables	32,317	31,323	3,029	2,029
Prepayments	1,049	844	8	5
Cash and bank balances	14,313	18,809	1,196	3,065
	74,315	75,841	4,233	5,099
<b>Total assets</b>	185,063	190,825	45,991	38,334
<b>Liabilities</b>				
<b>Current liabilities</b>				
Amounts due to contract customers	7,999	10,274	-	-
Trade and other payables	29,666	29,716	103	125
Finance lease payables	14,143	16,558	-	-
Bank borrowings	21,343	25,259	-	-
Deferred income	99	99	-	-
Current income tax payable	459	1,033	-	-
	73,709	82,939	103	125
<b>Non-current liabilities</b>				
Other payables	1,852	2,021	-	-
Finance lease payables	32,360	37,572	-	-
Bank borrowings	13,646	10,198	-	-
Deferred income	141	240	-	-
Deferred tax liabilities	5,664	4,541	-	-
	53,663	54,572	-	-
<b>Total liabilities</b>	127,372	137,511	103	125
<b>Net assets</b>	57,691	53,314	45,888	38,209
<b>Equity</b>				
Share capital	38,676	38,676	38,676	38,676
Other reserves	(15,991)	(17,046)	-	-
Accumulated profits/(losses)	35,154	31,535	7,212	(467)
<b>Equity attributable to owners of the parent</b>	57,839	53,165	45,888	38,209
Non-controlling interests	(148)	149	-	-
<b>Total equity</b>	57,691	53,314	45,888	38,209

# denotes amount less than S\$1,000

\* The FY2015 comparatives have been restated, please refer to paragraph 5 for details.

**Huatong Global Limited**

Unaudited Financial Statements and Dividend Announcement for Financial Year Ended 31 December 2016

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

	As at 31 December 2016 (Unaudited)			As at 31 December 2015 (Audited)		
	Secured S\$'000	Unsecured S\$'000	Total S\$'000	Secured S\$'000	Unsecured S\$'000	Total S\$'000
Repayable within one year	24,109	11,377	35,486	30,035	11,782	41,817
Repayable after one year	44,006	2,000	46,006	47,087	683	47,770
<b>Total</b>	<b>68,115</b>	<b>13,377</b>	<b>81,492</b>	<b>77,122</b>	<b>12,465</b>	<b>89,587</b>

**Secured Borrowings**Bank borrowings

As at 31 December 2016, the Group's bank borrowings amounted to S\$34,989,000 (2015: S\$35,457,000), of which S\$ 21,612,000 (2015: S\$22,992,000) 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 2016, the Group's obligations under finance leases amounted to S\$46,503,000 (2015: S\$54,130,000). Finance leases were secured by the Group's leased plant and equipment with net carrying amount of S\$68,949,000 as at 31 December 2016 (2015: S\$75,983,000).

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

**Huatong Global Limited**

Unaudited Financial Statements and Dividend Announcement for Financial Year Ended 31 December 2016

**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**

	<b>Group</b>	
	FY2016 Unaudited S\$'000	FY2015 Restated* S\$'000
<b>Cash flows from operating activities</b>		
Profit before income tax	5,090	5,939
Adjustments for:		
Depreciation of property, plant and equipment	15,063	13,441
Amortisation of intangible assets	4	-
Allowance for impairment of trade receivables	12	1,511
Allowance for impairment of available-for-sale financial assets	781	
Gain on disposal of available-for-sale financial assets	-	(32)
Gain on disposal of plant and equipment	(1,435)	(130)
Interest expense	2,060	1,776
Interest income	(205)	(245)
Share of results of joint venture	89	-
Unrealised exchange difference	24	192
<b>Operating cash flows before working capital changes</b>	<b>21,483</b>	<b>22,452</b>
Working capital changes:		
Trade and other receivables	(1,007)	(5,056)
Prepayments	33	28
Amounts due to contract customers, net	(2,917)	(4,903)
Inventories	(1,889)	(187)
Trade and other payables	1,987	5,704
<b>Cash generated from operations</b>	<b>17,690</b>	<b>18,038</b>
Interest received	205	236
Income tax paid	(764)	(1,111)
<b>Net cash from operating activities</b>	<b>17,131</b>	<b>17,163</b>
<b>Cash flows from investing activities</b>		
Investment in a joint venture	(170)	-
Purchase of property, plant and equipment	(1,678)	(4,712)
Additions to intangible assets	(68)	-
Proceeds from disposal of property, plant and equipment	994	4,869
Proceeds from disposal of available-for-sale financial assets	-	1,337
<b>Net cash (used in)/from investing activities</b>	<b>(922)</b>	<b>1,494</b>

\* The FY2015 comparatives have been restated, please refer to paragraph 5 for details.

**Huatong Global Limited**

Unaudited Financial Statements and Dividend Announcement for Financial Year Ended 31 December 2016

**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	
	FY2016	FY2015
	Unaudited S\$'000	Restated* S\$'000
<b>Cash flows from financing activities</b>		
Proceeds from trust receipts	47,443	59,957
Repayment of trust receipts	(49,027)	(59,142)
Proceeds from term loans	5,000	2,000
Repayment of term loans	(4,020)	(1,967)
Interest paid	(2,060)	(1,776)
Dividends paid	(454)	(454)
Repayment of finance lease payables	(17,587)	(14,834)
<b>Net cash used in financing activities</b>	<b>(20,705)</b>	<b>(16,216)</b>
Net change in cash and bank balances	(4,496)	2,441
Cash and bank balances at beginning of the period	18,809	16,368
<b>Cash and bank balances at end of the period</b>	<b>14,313</b>	<b>18,809</b>

\* The FY2015 comparatives have been restated, please refer to paragraph 5 for details.

**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	losses	Total equity
	\$'000	\$'000	\$'000
<b>(Unaudited)</b>			
<b>Balance at 1 January 2016</b>	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)
<b>Balance as at 31 December 2016</b>	<b>38,676</b>	<b>7,212</b>	<b>45,888</b>
<b>(Audited)</b>			
<b>Balance at 1 January 2015</b>	38,676	(1,446)	37,230
Profit for the financial year, representing total comprehensive income for the financial year	-	1,433	1,433
Dividends	-	(454)	(454)
<b>Balance as at 31 December 2015</b>	<b>38,676</b>	<b>(467)</b>	<b>38,209</b>

**Huatong Global Limited**

Unaudited Financial Statements and Dividend Announcement for Financial Year Ended 31 December 2016

**Consolidated Statement of Changes in Equity**

Group	Attributable to owners of the company					
	Share capital	Accumulated profits	Other reserves	Equity attributable to owners of the parent	Non-controlling Interests	Total equity
(Unaudited)	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 January 2016</b>	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
<b>Total comprehensive income for the financial year</b>	-	4,073	1,055	5,128	(297)	4,831
<b>Transactions with owners of the parent:</b>						
Dividends	-	(454)	-	(454)	-	(454)
<b>Total transactions with owners of the parent</b>	-	(454)	-	(454)	-	(454)
<b>Balance at 31 December 2016</b>	38,676	35,154	(15,991)	57,839	(148)	57,691
<b>(Restated)</b>						
<b>Balance at 1 January 2015</b>	38,676	26,938	(19,471)	46,143	358	46,501
Profit for the financial year	-	5,051	-	5,051	(209)	4,842
Other comprehensive income						
Gain on revaluation of property, plant and equipment	-	-	2,415	2,415	-	2,415
Reclassification of gains in available-for-sale reserve	-	-	(13)	(13)	-	(13)
Fair value changes on available-for-sale financial assets	-	-	23	23	-	23
	-	-	2,425	2,425	-	2,425
<b>Total comprehensive income for the financial year</b>	-	5,051	2,425	7,476	(209)	7,267
<b>Transactions with owners of the parent:</b>						
Dividends	-	(454)	-	(454)	-	(454)
<b>Total transactions with owners of the parent</b>	-	(454)	-	(454)	-	(454)
<b>Balance at 31 December 2015</b>	38,676	31,535	(17,046)	53,165	149	53,314

**Huatong Global Limited**Unaudited Financial Statements and Dividend Announcement for Financial Year Ended 31 December 2016

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**1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, 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 since 30 June 2016.

There were no outstanding options, convertibles or treasury shares as at 31 December 2016 and 31 December 2015.

**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**

	31.12.2016	31.12.2015
Total number of issued shares excluding treasury shares	151,384,600	151,384,600

**1(d)(iv) A statement showing all sales, transfers, disposals, 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 year 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 2015 ("FY2015").

**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 2016, the same accounting policies and methods of computations have been applied in the financial statements for the current reporting period as those of the audited consolidated financial statements for the financial year ended 31 December 2015.

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 period.

The FY 2015 comparatives have been restated relating to an omission of depreciation charge of S\$1,359,000 on leasehold properties. The effects are:

- (a) To increase depreciation charge from S\$12,082,000 to S\$13,441,000.
- (b) To decrease profit for the year from S\$6,201,000 to S\$4,842,000.
- (c) To increase revaluation gain on leasehold properties from S\$1,056,000 to S\$2,415,000.
- (d) To decrease the earnings per ordinary share (basic and diluted) from 4.23 cents to 3.34 cents.

The above restatement did not result in a change to the total comprehensive income. There is also no change to the carrying amount of the leasehold properties carried at valuation as at 31 December 2015.

**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	
	FY2016 Unaudited	FY2015 Restated*
Profit attributable to owners of the Company (S\$'000)	4,073	5,051
Weighted average number of ordinary shares	151,384,600	151,384,600
Basic and diluted EPS (Singapore cents)	2.69	3.34

\* The FY2015 comparatives have been restated, please refer to paragraph 5 for details.

- (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 2016 and 31 December 2015.

**Huatong Global Limited**

Unaudited Financial Statements and Dividend Announcement for Financial Year Ended 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	
	31.12.2016 Unaudited	31.12.2015 Audited	31.12.2016 Unaudited	31.12.2015 Audited
Net asset value per ordinary share (Singapore cents)	38.2	35.1	30.3	25.2
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 FY2016 vs. FY2015****Revenue**

Revenue decreased by S\$13.0 million or 10.0% from S\$130.2 million in FY2015 to S\$117.2 million in FY2016 mainly due to lower revenue derived from both the inland logistics and civil engineering services segments, partially offset by higher revenue from the Group's sale of construction materials segment.

Revenue from the inland logistics segment reduced by approximately S\$11.8 million or 42.1% from S\$28.1 million in FY2015 to S\$16.3 million in FY2016 mainly a result of the decrease in demand for aggregates in the construction industry which in turn impacted our inland logistics support services.

Revenue from the civil engineering services in FY2016 was S\$90.8 million, a decline of S\$8.8 million compared to S\$99.6 million in FY2015 due to lower revenue recognition from completion of certain projects and fewer ad hoc short-term projects undertaken in FY2016, whilst most new projects commenced towards the end of FY2016.

Revenue from the sale of construction materials segment increased by approximately S\$7.6 million from S\$2.5 million in FY2015 to S\$10.1 million in FY2016. The increase was mainly due to higher demand of construction materials from our customers' land reclamation projects and other projects which required filling materials.

**Cost of sales and services**

Cost of sales decreased by approximately S\$10.1 million or 9.7% from S\$104.0 million in FY2015 to S\$93.9 million in FY2016 mainly due to lower costs incurred for sub-contracting

## **Huatong Global Limited**

Unaudited Financial Statements and Dividend Announcement for Financial Year Ended 31 December 2016

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works, rental of machinery, vehicles and site premises, and direct labour in FY2016. The decrease was partially offset by an increase in direct material and depreciation expenses.

Sub-contract costs decreased by approximately S\$11.2 million or 39.4% from S\$28.5 million in FY2015 to S\$17.3 million in FY2016 mainly due to the absence of concurrent delivery of several of the civil engineering projects which required substantial third-party transportation and labour resource in order to meet the contractual obligations in FY2015.

The cost of rental of machinery, vehicles and site premises decreased by approximately S\$2.8 million or 22.8% from S\$12.3 million in FY2015 to S\$9.5 million in FY2016 mainly due to lesser reliance on third-party machinery and vehicles as the Group acquired more machinery and vehicles since the second half of 2015.

Direct labour costs decreased by approximately S\$1.7 million or 10.2% from S\$17.3 million in FY2015 to S\$15.6 million in FY2016 as less labour was deployed due to the absence of concurrent delivery of several of civil engineering projects in FY2016 whilst most new projects only commenced towards end of FY2016.

The above detailed lower costs were partially offset by an increase in direct material and depreciation expenses.

Direct material costs increased by approximately S\$3.5 million or 12.4% from S\$28.1 million in FY2015 to S\$31.6 million in FY2016, which was a result of increased revenue generated from the sale of construction materials segment, partially offset by decreased fuel costs resulted from the lower fuel prices since FY2015.

Depreciation expenses on our income-generating assets increased by approximately S\$1.7 million or 13.0% from S\$12.8 million in FY2015 to S\$14.5 million in FY2016 due to the additions of new machineries and equipment since the second half of 2015.

### **Gross profit**

As a result of the foregoing, the Group's gross profit decreased by approximately S\$2.9 million or 11.0% from S\$26.2 million in FY2015 to S\$23.3 million in FY2016. Gross profit margin remained relatively stable at 20.1% in FY2015 as compared to 19.9% in FY2016.

### **Other income**

Other income increased by approximately S\$0.9 million or 34.1% from S\$2.8 million in FY2015 to S\$3.7 million in FY2016 mainly due to a gain on disposal of heavy machineries and equipment and income from fabrication works during FY2016.

### **Administrative expenses**

Administrative expenses decreased by approximately S\$0.4 million or 2.3% from S\$18.7 million in FY2015 to S\$18.3 million in FY2016 mainly due to lower foreign workers' levies arising from lower deployment of labour in FY2016 as explained above.

### **Other expenses**

Our other expenses decreased by approximately S\$1.0 million or 40.9%, from S\$2.3 million in FY2015 to S\$1.3 million in FY2016. The decrease was primarily due to the absence of

## **Huatong Global Limited**

Unaudited Financial Statements and Dividend Announcement for Financial Year Ended 31 December 2016

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allowance for impairment of trade receivables amounting to S\$1.5 million in FY2015 and partially offset by impairment of an available-for-sales financial assets (“AFS”) amounting S\$0.8 million in FY2016 resulted from the decrease in market value of the AFS instrument.

### **Finance costs**

Finance costs increased by approximately S\$0.2 million or 8.5% from S\$2.0 million in FY2015 to S\$2.2 million in FY2016 primarily due to higher finance lease being drawn down for the purchase of machineries and equipment since the second half of 2015.

### **Share of result of joint venture**

The Group recorded S\$89,000 from the share of loss of a joint venture company in FY2016. The joint venture was incorporated during the second half of 2015 and commenced its operation in FY2016, hence there was no comparative figure in FY2015.

### **Profit before income tax**

As a result of the above, the Group’s profit before income tax decreased by approximately S\$0.8 million or 14.3% from S\$5.9 million in FY2015 to S\$5.1 million in FY2016.

### **Income tax expenses**

Income tax expense increased by approximately S\$0.2 million or 19.8% from S\$1.1 million in FY2015 to S\$1.3 million in FY2016, mainly due to higher deferred tax liabilities recorded in FY2016.

### **Net profit**

As a result of the above, net profit decreased by approximately S\$1.0 million or 22% from S\$4.8 million in FY2015 to S\$3.8 million in FY2016, and net profit attributable to owners of the parent decreased by approximately S\$1.0 million or 19.4% from S\$5.1 million in FY2015 to S\$4.1 million in FY2016.

## **Statement of financial position of the Group as at 31 December 2016**

### **Non-current Assets**

As at 31 December 2016, the Group had a total of S\$105.0 million Property Plant and Equipment (“PPE”) as compared to S\$109.4 million as at 31 December 2015. The decrease was mainly due to the depreciation charge of S\$15.1 million, disposal of PPE with a carrying amount of S\$11.6 million, partially offset by the additions of PPE of S\$21.4 million and a revaluation gain on the leasehold properties of S\$0.9 million during the financial year.

As at 31 December 2016, the Group’s non-current AFS amounted to S\$5.2 million as compared to S\$4.9 million as 31 December 2015. The increase was due to an increase in the fair value of these AFS of S\$0.2 million and an unrealised exchange gain of S\$0.1 million during the financial year.

## Huatong Global Limited

Unaudited Financial Statements and Dividend Announcement for Financial Year Ended 31 December 2016

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As at 31 December 2016, the Group recorded S\$81,000 investment in a joint venture which comprised the initial cost of investment of S\$170,000 and share of the loss of the joint venture amounting S\$89,000.

As at 31 December 2016, the Group's non-current prepayment amounted to S\$0.4 million as compared to S\$0.7 million as at 31 December 2015. The decrease was due to the amortisation of the insurance premium paid in previous year.

### **Current assets**

Amount due from contract customers increased by approximately S\$0.7 million to S\$22.0 million as at 31 December 2016 from S\$21.3 million as at 31 December 2015, mainly due to a higher amount of unbilled revenue during the financial year.

Trade and other receivables increased by approximately S\$1.0 million to S\$32.3 million as at 31 December 2016 from S\$31.3 million as at 31 December 2015, mainly due to higher volume of work performed and certified towards end of FY2016 following commencement of new projects during the last quarter of the financial year.

Current AFS decreased by approximately S\$0.8 million to S\$2.6 million as at 31 December 2016 from S\$3.4 million as at 31 December 2015 due to an decrease in the fair value of these AFS during the financial year.

Inventory increased by approximately S\$1.9 million to S\$2.1 million as at 31 December 2016 from S\$0.2 million as at 31 December 2015, mainly due to hardware parts and consumables purchased for repair and maintenance of Group's machineries, equipment and vehicles.

Prepayment increased by approximately S\$0.2 million to S\$1.0 million when compared to S\$0.8 million as at 31 December 2015, mainly due to prepaid insurances in relation to new projects awarded and PPE purchased in FY2016.

Cash and bank balances decreased by approximately S\$4.5 million to S\$14.3 million as at 31 December 2016 when compared to S\$18.8 million as at 31 December 2015, mainly due to repayment of bank loan and finance lease liabilities during the financial year. Please refer to the cash flows analysis for more information.

### **Current liabilities**

Amount due to contract customers decreased by approximately S\$2.3 million to S\$8.0 million as at 31 December 2016 from S\$10.3 million as at 31 December 2015, mainly due to less advanced billing as at 31 December 2016.

Trade and other payables remained relatively unchanged at S\$29.7 million as at 31 December 2016 and as at 31 December 2015 respectively.

Finance lease payables decreased by approximately S\$2.5 million to S\$14.1 million as at 31 December 2016 when compared to S\$16.6 million as at 31 December 2015, mainly due to repayment of the finance lease during the financial year.

Current portion of bank borrowings decreased by approximately S\$4.0 million to S\$21.3 million as at 31 December 2016 from S\$25.3 million as at 31 December 2015, mainly due to net repayment of banking facilities in FY2016.

### **Non-current liabilities**

Total non-current liabilities decreased by S\$0.9 million to S\$53.7 million as at 31 December 2016 from S\$54.6 million as at 31 December 2015, mainly due to a decrease of finance lease payables of approximately S\$5.2 million resulted from repayment of the finance lease in FY2016, and a decrease of other non-current payables of approximately S\$0.1 million resulted from the absence of non-current advance received from customer in FY2016. The decrease was partially offset by an increase in bank borrowings of approximately S\$3.4 million in FY2016 and additional deferred tax liabilities of S\$1.1 million.

### **Total Equity**

As at 31 December 2016, equity attributable to owners of parent amounted to approximately S\$57.8 million comprising mainly S\$38.7 million of issued share capital, S\$35.2 million accumulated profits and offset by other reserves of negative S\$16.0 million.

### **Working Capital**

The Group posted a positive working capital of approximate S\$0.6 million as at 31 December 2016 as compared to a negative working capital of approximately S\$7.1 million as at 31 December 2015.

### **Statement of Cash flows of the Group for FY2016**

As at 31 December 2016, the Group recorded cash and cash equivalents of S\$14.3 million as compared to S\$18.8 million as at 31 December 2015.

Net cash flows generated from operating activities for FY2016, after working capital requirements and net of tax, were S\$17.1 million for FY2016. Net working capital outflow of S\$3.8 million was the net effect of increase in trade and others receivables, net amounts due to contract customers and inventories of S\$1.0 million, S\$2.9 million and S\$1.9 million respectively, and offset by increase in trade and other payables of S\$2.0 million.

Net cash used in investing activities for FY2016, amounted to S\$0.9 million, mainly due to the purchase of additional PPE of S\$1.7 million and addition of investment in the Group's joint venture company of S\$0.2 million, offset by proceeds received from disposal of PPE of S\$1.0 million during FY2016.

Net cash used in financing activities for the FY2016 amounted to S\$20.7 million, was mainly due to the net effect of repayment of trust receipts of S\$1.6 million, repayment of bank loans of S\$4.0 million, repayment of finance lease payables of S\$17.6 million, interest payment of S\$2.1 million and dividend paid of S\$0.5 million and proceeds from terms loans of S\$5 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 2017 to reach between \$28.0 billion and \$35.0 billion, higher than the preliminary estimate of \$26.1 billion for 2016, mainly due to an anticipated increase in public sector construction demand. The public sector is expected to contribute about 70% of the total construction demand, boosted by an increase in demand for most building types and civil engineering works.<sup>1</sup>

Furthermore, to support the construction sector, it was announced at the Singapore Budget 2017 that \$700 million in public sector infrastructure projects will be brought forward to start in FY2017 and FY2018. Construction firms can bid for these projects, which will include the upgrading of community clubs and sports facilities.<sup>2</sup> In addition, a \$150 million Public Sector Construction Productivity Fund will be introduced to allow government agencies to procure innovative and productive solutions in construction projects.<sup>3</sup>

Despite a competitive environment and challenging economic conditions, the Group will continue to focus on and participate in public infrastructure projects like infrastructure works for the Housing and Development Board, works at Changi Airport Development and Tuas Terminal Development.

In 2016, Huatong Contractor Pte Ltd, a wholly-owned subsidiary of the Group, was appointed an Approved Training and Testing Centre by BCA to conduct various machinery handling courses and offer test enrolment services, for both its own employees and third parties. This is part of the Group’s move to boost its capabilities and raise productivity levels.

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 investing in technology and innovation to move up the value chain and maximise shareholder value.

**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\$0.004 per ordinary share
Tax Rate	Tax-exempt one-tier

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

Refer 11 (a) above.

<sup>1</sup> BCA media release “Public sector construction demand is expected to increase this year”, 6 January 2017 ([https://www.bca.gov.sg/newsroom/others/PR\\_Prospect2017.pdf](https://www.bca.gov.sg/newsroom/others/PR_Prospect2017.pdf))

<sup>2</sup> Ministry of Finance “FY2017 Budget Statement”, 20 February 2017 ([http://www.singaporebudget.gov.sg/data/budget\\_2017/download/FY2017\\_Budget\\_Statement.pdf](http://www.singaporebudget.gov.sg/data/budget_2017/download/FY2017_Budget_Statement.pdf))

<sup>3</sup> TODAY, 21 February 2017, ‘\$150m Public Sector Construction Productivity Fund unveiled’

**Huatong Global Limited**

Unaudited Financial Statements and Dividend Announcement for Financial Year Ended 31 December 2016

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

Name of Dividend	Interim Tax Exempt Dividend	Final Tax Exempt Dividend
Dividend Type	Cash	Cash
Dividend Amount per Share	S\$0.003 per ordinary share	S\$0.003 per ordinary share
Tax Rate	Tax-exempt one-tier	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.

**(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 year 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 year 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	3,889	Not applicable
– Lease of dormitories to Huatong Contractor Pte Ltd from NHL	288	Not applicable

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

## Huatong Global Limited

Unaudited Financial Statements and Dividend Announcement for Financial Year Ended 31 December 2016

### 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
FY2016 (Unaudited)	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<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>						
Gain on disposal of plant and equipment	-	-	-	1,435	-	1,435
Depreciation of property, plant and equipment	-	-	-	(15,063)	-	(15,063)
Amortisation of intangible assets	-	-	-	(4)	-	(4)
Allowance for impairment of available-for-sale financial assets	(781)	-	-	-	-	(781)
Allowance for impairment of trade receivables	(12)	-	-	-	-	(12)
<b>FY2015 (Restated)</b>						
<u>Revenue</u>						
External revenue	99,618	28,096	2,474	-	-	130,188
Inter-segment revenue	-	4,184	2,967	-	(7,151)	-
	<u>99,618</u>	<u>32,280</u>	<u>5,441</u>	<u>-</u>	<u>(7,151)</u>	<u>130,188</u>
<u>Segment results</u>						
	20,914	4,978	274	(18,696)	-	7,470
Interest income						245
Interest expenses						(1,776)
Profit before income tax						5,939
Income tax expense						(1,097)
Profit for the financial year						<u>4,842</u>
<u>Non-cash items</u>						
Gain on disposal of plant and equipment	-	-	-	130	-	130
Depreciation of property, plant and equipment	-	-	-	(13,441)	-	(13,441)
Gain on disposal of available-for-sale financial assets	-	-	-	33	-	33
Allowance for impairment of trade receivables	(1,509)	(2)	-	-	-	(1,511)

\* The FY2015 comparatives have been restated, please refer to paragraph 5 for details.

**Huatong Global Limited**

Unaudited Financial Statements and Dividend Announcement for Financial Year Ended 31 December 2016

**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**

	FY2016 (Unaudited)	FY2015 (Restated)	Increase/ (Decrease)
	\$'000	\$'000	%
(a) Sales reported for first half year	61,228	64,861	(5.6)
(b) Operating profit/loss after tax before deducting minority interests reported for first half year	2,664	3,181	(16.3)
(c) Sales reported for second half year	55,963	65,327	(14.3)
(d) Operating profit/loss after tax before deducting minority interests reported for second half year	1,112	1,661	(33.1)

\* The FY2015 comparatives have been restated, please refer to paragraph 5 for details.

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

	FY2016 S\$	FY2015 S\$
Ordinary shares (tax exempt one-tier)		
Interim	-	454,154
Final <sup>(1)</sup>	605,539	454,154
<b>Total annual dividend</b>	<b>605,539</b>	<b>908,308</b>

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	45	Nephew of Mr Ng Hai Liong	Workshop Manager/ 2002	No Change

**Huatong Global Limited**

Unaudited Financial Statements and Dividend Announcement for Financial Year Ended 31 December 2016

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 Say Beng Charlie	50	Nephew of Mr Ng Hai Liong	Site Manager/ 2011	No Change

**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) <sup>(1)</sup>	1,330
To increase LSS production	1,000	(1,000)	-
General working capital purposes	1,611	(905)	706
Listing expenses	1,389	(1,389)	-
<b>Total</b>	<b>5,500</b>	<b>(3,464)</b>	<b>2,036</b>

Note:-

- (1) As disclosed in the Company's announcements dated 10 July 2015, and 13 April 2016, Banyan Capital Pte. Ltd. ("**Banyan**"), a wholly owned subsidiary of the Company, has entered into a joint venture agreement with Golden Empire Civil Engineering Pte. Ltd. to incorporate a joint venture company, Golden Empire-Huatong Pte. Ltd. ("GE-HT"). Banyan has invested a total amount of S\$170,000 into GE-HT, and now holds 33.3% equity interest in GE-HT.

*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 2017