

Huatong Global Limited

Unaudited Financial Statements and Dividend Announcement for Financial Year Ended 31 December 2019



HUATONG GLOBAL LIMITED
(Company Registration Number: 201422395Z)

**Unaudited Financial Statement and Dividend Announcement
For the Financial Year Ended 31 December 2019 (“FY2019”)**

*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.

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Unaudited Financial Statements and Dividend Announcement for Financial Year Ended 31 December 2019

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		
	FY2019	FY2018	(+/-)
	Unaudited S\$'000	Audited S\$'000	%
Revenue	134,391	179,311	(25.1)
Cost of sales and services	(107,977)	(145,644)	(25.9)
Gross profit	26,414	33,667	(21.5)
Other income	3,938	2,451	60.7
Administrative expenses	(21,723)	(21,914)	(0.9)
Other expenses	(721)	(998)	(27.8)
Loss allowance on trade receivables and contract assets	(232)	(4,926)	(95.3)
Finance costs	(3,850)	(2,770)	39.0
Share of results of a joint venture	984	1,629	(39.6)
Profit before income tax	4,810	7,139	(32.6)
Income tax expense	(685)	(2,073)	(67.0)
Profit for the year	4,125	5,066	(18.6)
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	(12)	(9)	33.3
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	(641)	1,136	nm
Other comprehensive income, net of tax	(644)	1,127	nm
Total comprehensive income for the financial year	3,481	6,193	(43.8)
Profit attributable to:			
Owners of the parent	4,155	5,326	(22.0)
Non-controlling interests	(30)	(260)	(88.5)
	4,125	5,066	(18.6)
Total comprehensive income attributable to:			
Owners of the parent	3,511	6,453	(45.6)
Non-controlling interests	(30)	(260)	(88.5)
	3,481	6,193	(43.8)

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		
	FY2019	FY2018	(+/-)
	Unaudited	Audited	%
	S\$'000	S\$'000	%
Depreciation of property, plant and equipment	16,263	15,246	6.7
Depreciation of right-of-use assets*	3,333	-	nm
Amortisation of intangible assets	16	14	14.3
Loss allowance on trade receivables and contract assets	232	4,926	(95.3)
Bad debts recovered	(43)	-	nm
Changes in allowance for impairment of financial assets at fair value through other comprehensive income	-	(214)	nm
Reversal of allowance for impairment of financial assets at fair value through other comprehensive income upon redemption	(6)	(49)	(87.8)
Allowance for impairment of property, plant and equipment	52	166	(68.7)
Fair value gain on financial assets at fair value through profit or loss	(163)	(159)	2.5
Interest expenses	3,676	2,549	44.2
Employee benefits expense	37,531	34,800	7.8
Short-term lease expense (2018: Operating lease expense)	3,796	7,518	(49.5)
Interest income	(58)	(200)	(71.0)
(Gain) /Loss on disposal of plant and equipment	(52)	155	nm
(Gain)/Loss on lease modification	(95)	-	nm
Amortisation of gain on sale and leaseback transactions	(834)	(298)	179.9
Foreign exchange gain, net	(28)	(7)	300.0
Under/(Over) provision of income tax in respect of prior years	(52)	135	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.

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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	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	Unaudited S\$'000	Audited S\$'000	Unaudited S\$'000	Audited S\$'000
Assets				
Non-current assets				
Property, plant and equipment	103,311	94,654	-	-
Right-of-use assets*	16,840	-	-	-
Financial assets at fair value through profit or loss	5,315	5,221	-	-
Investments in subsidiaries	-	-	41,735	41,735
Investment in a joint venture	2,791	1,806	-	-
Prepayments	-	23	-	-
Intangible assets	111	114	17	19
	128,368	101,818	41,752	41,754
Current assets				
Contract assets	79,509	73,327	-	-
Financial assets at fair value through other comprehensive income	952	2,248	-	-
Inventories	1,279	940	-	-
Trade and other receivables	42,952	44,158	1,867	3,018
Prepayments	1,121	1,334	150	238
Cash and cash equivalents	4,484	8,509	153	164
	130,297	130,516	2,170	3,420
Total assets	258,665	232,334	43,922	45,174
Liabilities				
Current liabilities				
Contract liabilities	227	91	-	-
Trade and other payables	51,804	50,539	203	1,137
Lease liabilities*	17,471	14,950	-	-
Bank borrowings	55,761	48,475	-	-
Deferred income	793	834	-	-
Current income tax payable	280	2,170	-	-
	126,336	117,059	203	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.

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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 (continued)

	Group		Company	
	31.12.2019 Unaudited S\$'000	31.12.2018 Audited S\$'000	31.12.2019 Unaudited S\$'000	31.12.2018 Audited S\$'000
Non-current liabilities				
Lease liabilities*	40,462	22,279	-	-
Bank borrowings	11,588	15,387	-	-
Deferred income	957	1,750	-	-
Deferred tax liabilities	5,527	5,545	-	-
	58,534	44,961	-	-
Total liabilities	184,870	162,020	203	1,137
Net assets	73,795	70,314	43,719	44,037
Equity				
Share capital	38,676	38,676	38,676	38,676
Other reserves	(14,936)	(14,292)	-	-
Accumulated profits	50,932	46,777	5,043	5,361
Equity attributable to owners of the parent	74,672	71,161	43,719	44,037
Non-controlling interests	(877)	(847)	-	-
Total equity	73,795	70,314	43,719	44,037

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

	As at 31 December 2019 (Unaudited)			As at 31 December 2018 (Audited)		
	Secured S\$'000	Unsecured S\$'000	Total S\$'000	Secured S\$'000	Unsecured S\$'000	Total S\$'000
Repayable within one year	32,748	40,484	73,232	34,192	29,233	63,425
Repayable after one year	37,105	14,945	52,050	37,620	46	37,666
Total	69,853	55,429	125,282	71,812	29,279	101,091

Secured BorrowingsBank borrowings

As at 31 December 2019, the Group's bank borrowings amounted to S\$67.4 million (31 December 2018: S\$63.9 million), of which S\$28.8 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 31 December 2019, the Group's lease liabilities amounted to S\$57.9 million (31 December 2018: S\$37.2 million), of which S\$41.0 million (31 December 2018: S\$37.2 million) was secured by the Group's leased plant and equipment with net carrying amount of S\$63.3 million as at 31 December 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.

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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	
	FY2019 Unaudited S\$'000	FY2018 Audited S\$'000
Cash flows from operating activities		
Profit before income tax	4,810	7,139
Adjustments for:		
Depreciation of property, plant and equipment	16,263	15,246
Depreciation of right-of-use assets	3,333	-
Amortisation of intangible assets	16	14
Loss allowance on trade receivables and contract assets	232	4,926
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	(6)	(49)
(Gain) /Loss on disposal of plant and equipment	(52)	155
(Gain) /Loss on lease modification	(95)	-
Amortisation of gain on sale and leaseback transactions	(834)	(298)
Allowance for impairment of property, plant and equipment	52	166
Interest expenses	3,676	2,549
Interest income	(58)	(200)
Share of results of a joint venture	(984)	(1,629)
Fair value gain of financial assets at fair value through profit or loss	(163)	(159)
Unrealised exchange differences, net	(5)	15
Operating cash flows before working capital changes	26,185	27,661
Working capital changes:		
Trade and other receivables	1,009	11,002
Prepayments	237	(91)
Contract assets, net	(6,083)	(37,058)
Inventories	(339)	1,693
Trade and other payables	(605)	6,134
Cash generated from operations	20,404	9,341
Interest received	5	20
Income tax paid	(2,592)	(1,110)
Net cash from operating activities	17,817	8,251
Cash flows from investing activities		
Purchases of property, plant and equipment	(5,969)	(1,692)
Additions to right-of-use assets	(190)	-
Additions to intangible assets	(12)	(22)
Interest received	82	182
Proceeds from disposal of property, plant and equipment	469	8,987
Proceeds from redemption of financial assets at fair value through other comprehensive income	1,270	348
Net cash (used in) /from investing activities	(4,350)	7,803

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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	
	FY2019 Unaudited	FY2018 Audited
	S\$'000	S\$'000
Cash flows from financing activities		
Proceeds from trust receipts	71,783	96,395
Repayment of trust receipts	(78,339)	(98,249)
Proceeds from term loans	15,290	14,773
Repayment of term loans	(5,172)	(8,153)
Interest paid	(3,676)	(2,549)
Dividends paid	-	(833)
Repayment of lease liabilities	(17,278)	(12,902)
Decrease in amounts due to related parties	(100)	(255)
Net cash used in financing activities	(17,492)	(11,773)
Net change in cash and cash equivalents	(4,025)	4,281
Cash and cash equivalents at beginning of the financial year	8,509	4,228
Cash and bank balances at end of the financial year	4,484	8,509

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	Share capital	Accumulated profits	Total equity
	\$'000	\$'000	\$'000
(Unaudited)			
Balance as at 1 January 2019	38,676	5,361	44,037
Loss for the financial year, representing total comprehensive income for the financial year	-	(318)	(318)
Balance as at 31 December 2019	38,676	5,043	43,719
(Audited)			
Balance as at 1 January 2018, FRS framework	38,676	6,257	44,933
Loss for the financial year, representing total comprehensive income for the financial year	-	(63)	(63)
Dividends	-	(833)	(833)
Balance as at 31 December 2018	38,676	5,361	44,037

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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 2019	38,676	46,777	(14,292)	71,161	(847)		70,314
Profit for the financial year	-	4,155	-	4,155	(30)		4,125
Other comprehensive income							
Gain on revaluation of property, plant and equipment	-	-	(641)	(641)	-		(641)
Fair value changes on financial assets at fair value through other comprehensive income	-	-	(12)	(12)	-		(12)
Reversal of fair value loss in fair value reserve upon redemption	-	-	9	9	-		9
	-	-	(644)	(644)	-		(644)
Total comprehensive income for the financial year	-	4,155	(644)	3,511	(30)		3,481
Balance at 31 December 2019	38,676	50,932	(14,936)	74,672	(877)		73,795
(Audited)							
Balance as at 1.1.2018, 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 1.1.2018, as restated	38,676	42,284	(15,419)	65,541	(587)		64,954
Profit for the financial year	-	5,326	-	5,326	(260)		5,066
Other comprehensive income:							
-Gain on revaluation of property, plant and equipment	-	-	1,136	1,136	-		1,136
-Fair value changes on financial assets at fair value through other comprehensive income	-	-	(9)	(9)	-		(9)
	-	-	1,127	1,127	-		1,127
Total comprehensive income for the financial year	-	5,326	1,127	6,453	(260)		6,193
Transactions with owners of the parent:							
Dividends	-	(833)	-	(833)	-		(833)
Total transactions with owners of the parent	-	(833)	-	(833)	-		(833)
Balance as at 31.12.2018	38,676	46,777	(14,292)	71,161	(847)		70,314

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1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, 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 2019 to 31 December 2019.

There were no outstanding options, convertibles, treasury shares or subsidiary holdings as at 31 December 2019 and 31 December 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

	31.12.2019	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 year 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 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 modifications or emphasis of a matter)

Not applicable.

3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion, (a) Updates on the efforts taken to resolve each outstanding audit issue. (b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed. This is not required for any audit issue that is a material uncertainty relating to going concern.

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 2018 (“FY2018”).

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

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	Effect of Applying SFRS(I) 16	As at 1 January 2019	Movement	As at 31 December 2019
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<u>Statement of comprehensive income</u>					
Rental expenses	-	-	-	(3,612)	(3,612)
Depreciation of RoU assets	-	-	-	3,333	3,333
Finance expenses on lease liabilities	-	-	-	428	428
<u>Non-current assets</u>					
Right-of-use assets	-	18,294	18,294	(1,454)	16,840
<u>Current liabilities</u>					
Finance lease payables	(14,950)	14,950	-	-	-
Lease liabilities	-	(17,284)	(17,284)	(187)	(17,471)
<u>Non-Current liabilities</u>					
Finance lease payables	(22,279)	22,279	-	-	-
Lease liabilities	-	(38,239)	(38,239)	(2,223)	(40,462)

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	
	FY2019 Unaudited	FY2018 Audited
Profit attributable to owners of the Company (S\$'000)	4,155	5,326
Weighted average number of ordinary shares	151,384,600	151,384,600
Basic and diluted EPS (Singapore cents)	2.74	3.52

(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 2019 and 31 December 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	
	31.12.2019 Unaudited	31.12.2018 Audited	31.12.2019 Unaudited	31.12.2018 Audited
Net asset value per ordinary share (Singapore cents)	49.3	47.0	28.9	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 year ended 31 December 2019 ("FY2019") vs. for year ended 31 December 2018 ("FY2018")

Revenue

Revenue decreased by S\$44.9 million or 25.1% from S\$ 179.3 million in FY2018 to S\$134.4 million in FY2019 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.

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Revenue from the civil engineering services decreased by approximately S\$38.2 million or 24.3% from S\$157.0 million in FY2018 to S\$118.8 million in FY2019. The decrease was mainly due to lower revenue recognition from projects nearing completion. New projects secured in 2019 have yet to commence fully.

Revenue from the inland logistics segment increased by approximately S\$1.8 million or 17.5% from S\$10.3 million in FY2018 to S\$12.1 million in FY2019. The increase was mainly due to higher demand and our concrete pump business has improved.

Revenue from the sale of construction materials segment decreased by approximately S\$8.6 million or 71.7% from S\$12.0 million in FY2018 to S\$3.4 million in FY2019. The decrease was mainly due to lower demand from our customers.

Cost of sales and services

Cost of sales decreased by approximately S\$37.4 million or 25.9%, from S\$145.6 million in FY2018 to S\$108.0 million in FY2019 mainly due to a decrease in direct material costs, lower subcontract cost and lower repair and maintenance cost, partially offset by higher direct labour cost and depreciation in FY2019.

Direct material costs decreased by approximately S\$22.5 million or 43.2% from S\$52.1 million in FY2018 to S\$29.6 million in FY2019 in tandem with the decreased revenue.

Subcontract costs decreased by approximately S\$14.8 million or 41.9% from S\$35.3 million in FY2018 to S\$20.5 million in FY2019 due to lesser subcontract works.

Repair and maintenance costs decreased by approximately S\$2.8 million or 23.1% from \$12.1 million in FY2018 to S\$9.3 million in FY2019 as a result of cost control measures implemented during the financial year.

Direct labour costs increased by approximately S\$1.4 million or 8.0% from S\$17.5 million in FY2018 to S\$18.9 million in FY2019 as more labour was deployed to support increased activities.

Depreciation expenses on our income-generating assets increased by approximately S\$4.1 million or 28.1% from S\$14.6 million in FY2018 to S\$18.7 million in FY2019. 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 in the financial year 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\$7.3 million or 21.5% from S\$33.7 million in FY2018 to S\$26.4 million in FY2019. Gross profit margin in FY2019 was 19.7% as compared to 18.8% in FY2018.

Other income

Other income increased by approximately S\$1.4 million or 60.7% from S\$2.5 million in FY2018 to S\$3.9 million in FY2019. The increase was mainly due to the amortisation of gain on sale and leaseback transactions made in prior year and insurance claim received during the financial year.

Administrative expenses

Administrative expenses in FY2019 amounted to S\$21.7 million which was comparable to S\$21.9 million in FY2018.

Other expenses

Other expenses in FY2019 amounted to S\$0.7 million as compared to S\$1.0 million in FY2018. The decrease was mainly due to the allowance for impairment of plant and equipment as well as a loss on disposal of plant and equipment of S\$0.3 million in FY2018.

Loss allowance on trade receivables and contract assets

Loss allowance on trade receivables and contract assets in FY2019 amounted to S\$0.2 million as compared to S\$4.9 million in FY2018. In FY2018, there was a one-off provision of loss allowance on certain customers of S\$4.6 million.

Finance costs

Finance costs increased by approximately S\$1.1 million or 39.0% from S\$2.8 million in FY2018 to S\$3.9 million in FY2019 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\$1.0 million from the share of profit of a joint venture company in FY2019 as compared to a profit of S\$1.6 million in FY2018.

Profit before income tax

As a result of the above, the Group's profit before income tax decreased by approximately S\$2.3 million or 32.6% from S\$7.1 million in FY2018 to S\$4.8 million in FY2019.

Income tax expenses

Income tax expense decreased by approximately S\$1.4 million or 67.0% from S\$2.1 million in FY2018 to S\$0.7 million in FY2019 which was a result of lower profit before income tax in FY2019 as well as the lower balancing charge due to less fixed assets disposed in FY2019.

Net profit

As a result of the above, net profit decreased by approximately S\$0.9 million or 18.6% from S\$5.1 million in FY2018 to S\$4.1 million in FY2019.

Net profit attributable to owners of the parent decreased by approximately S\$1.1 million or 22.0% from S\$5.3 million in FY2018 to S\$4.2 million in FY2019.

Statement of financial position of the Group as at 31 December 2019

Non-current Assets

As at 31 December 2019, the Group had a total of S\$103.3 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\$26.0 million, partially offset by the depreciation charge of S\$16.3 million, a disposal of PPE with a carrying amount of S\$0.4 million and revaluation loss of approximately S\$0.6 million for the Group's leasehold property during the financial year.

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 31 December 2019 were mainly leased machinery and vehicles, land for the Group's leasehold properties, LSS batching plant and certain project sites.

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

As at 31 December 2019, the Group's investment in a joint venture increased to S\$2.8 million as compared to S\$1.8 million as at 31 December 2018 due to the share of profit of the joint venture in FY2019.

Current assets

Contract assets increased by approximately S\$6.2 million to S\$79.5 million as at 31 December 2019 from S\$73.3 million as at 31 December 2018, mainly due to a higher amount of unbilled revenue as at 31 December 2019.

Trade and other receivables decreased by approximately S\$1.2 million to S\$43.0 million as at 30 December 2019 from S\$44.2 million as at 31 December 2018 in tandem with the decreased revenue in FY2019.

Inventory increased by approximately S\$0.4 million to S\$1.3 million as at 31 December 2019 from S\$0.9 million as at 31 December 2018, mainly due to hardware parts and consumables purchases 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 31 December 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 year.

Prepayment decreased by approximately S\$0.2 million to S\$1.1 million as at 31 December 2019 from S\$1.3 million as at 31 December 2018 due to the amortisation of prepaid expenses in the financial year.

Cash and cash equivalents decreased by approximately S\$4.0 million to S\$4.5 million as at 31 December 2019 when compared to S\$8.5 million as at 31 December 2018. Cash and cash equivalents were mainly used for repayment of bank loan and lease liabilities as well as purchasing of PPE during the financial year.

Current liabilities

Contract liabilities increased from S\$0.09 million as at 31 December 2018 to S\$0.2 million as at 31 December 2019, mainly due to advance billings made for certain projects as at 31 December 2019.

Trade and other payable increased by approximately \$1.3 million to S\$51.8 million as at 31 December 2019 from S\$50.5 million as at 31 December 2018 mainly due to additional PPE purchased during the financial year.

Lease liabilities payable within one year amounted to S\$17.5 million as at 31 December 2019 as compared to S\$15.0 million as at 31 December 2018. This is the net effect of repayment made during the financial year, 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 increased by approximately S\$7.3 million to S\$55.8 million as at 31 December 2019 from S\$48.5 million as at 31 December 2018, mainly due to additional drawdown of short-term banking facilities in FY2019 for working capital purposes.

Current income tax payable decreased by approximately S\$1.9 million to S\$0.3 million as at 31 December 2019 from S\$2.2 million as at 31 December 2018. The decrease was mainly due to the lower income tax recorded in FY2019.

Deferred income to be recognised within 12 months amounted to S\$0.8 million as at 31 December 2019 which was comparable to the amount recorded as at 31 December 2018.

Non-current liabilities

Total non-current liabilities increased by S\$13.5 million to S\$58.5 million as at 31 December 2019 from S\$45.0 million as at 31 December 2018, mainly due to 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. The increases was partially offset by repayment of bank borrowings and amortisation of deferred income during the financial year.

Working Capital

The Group posted a positive working capital of approximately S\$4.0 million as at 31 December 2019.

Statement of Cash flows of the Group for FY2019

As at 31 December 2019, the Group recorded cash and cash equivalents of S\$4.5 million as compared to S\$8.5 million as at 31 December 2018.

Net cash flows generated from operating activities in FY2019, after meeting working capital requirements and net of tax paid, were S\$17.8 million. Net working capital outflow of S\$5.8 million was the net effect of increase in net contract assets of S\$6.1 million, increase in inventories of S\$0.3 million, decrease in trade and other payables of S\$0.6 million, decrease in trade and other receivables of S\$1.0 million and decrease in prepayments of S\$0.2 million.

Net cash used in investing activities in FY2019, amounted to S\$4.4 million, mainly due to purchase of additional PPE of S\$6.0 million and additions to RoU assets of S\$0.2 million, partially offset by proceeds received from redemption of financial assets at FVTOCI of \$1.3 million and proceeds received from disposal of PPE of S\$0.5 million during the financial year.

Net cash used in financing activities in FY2019 amounted to S\$17.5 million, was the net effect of net repayment of trust receipts of S\$6.6 million, repayment of lease liabilities of S\$17.3 million, interest payment of S\$3.7 million and net drawdown of bank loans of S\$10.1 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 Ministry of Trade and Industry has downgraded the Singapore's GDP growth forecast for 2020 on 17 February 2020¹. As the COVID-19 situation is still evolving, uncertainties in the global economy remain. The Group will maintain operational and financial prudence amidst a challenging economy and continue to leverage on our strength in civil works to seek opportunities in public infrastructure projects and bring enhanced values to our stakeholders.

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 FY2019.

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

Not applicable.

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

No dividend has been declared or recommended for FY2018.

(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 FY2019.

(d) The date the dividend is payable.

Not applicable as no dividend has been declared or recommended for FY2019.

¹ MTI press release "MTI Downgrades 2020 GDP Growth Forecast to "-0.5 to 1.5 Per Cent", 17 February 2020 (https://www.mti.gov.sg/Newsroom/Press-Releases/2020/02/MTI-Downgrades-2020-GDP-Growth-Forecast-to--0_5-to-1_5-Per-Cent)

(e) Book closure date

Not applicable as no dividend has been declared or recommended for FY2019.

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

No dividend has been declared or recommended for FY2019, as the Board of Directors deems it appropriate to conserve adequate resources for the Group's business activities.

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, the update announcement in relation to the IPTs released on 8 November 2019 and IPTs as set out in the below table, there were no additional IPTs of S\$100,000 and above during the financial year under review.

Name of Interested Person ("IP")	Nature of relationship	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") – Lease of construction equipment and vehicles from NHL	#	S\$000 2,585	S\$000 Not applicable
NB Auto Pte Ltd ("NB Auto") – Lease of commercial vehicles from NB Auto	#	147	Not applicable

These IPs are regarded as associates of the Company's controlling shareholder under Chapter 9 of the Catalist Rules on interested person transactions.

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
FY2019 (Unaudited)						
<u>Revenue</u>						
External revenue	118,822	12,139	3,430	-	-	134,391
Inter-segment revenue	9,876	688	856	-	(11,420)	-
	<u>128,698</u>	<u>12,827</u>	<u>4,286</u>	<u>-</u>	<u>(11,420)</u>	<u>134,391</u>
<u>Segment results</u>						
	23,594	1,780	111	(18,158)	117	7,444
Share on results in a joint venture	984	-	-	-	-	984
Interest income						58
Interest expenses						(3,676)
Profit before income tax						4,810
Income tax expense						(685)
Profit for the financial year						<u>4,125</u>
<u>Non-cash items</u>						
Amortisation of gain on sale and leaseback transactions	834	-	-	-	-	834
Gain on disposal of plant and equipment	-	-	-	52	-	52
Depreciation of property, plant and equipment	(14,010)	(1,038)	(555)	(777)	117	(16,263)
Depreciation of right-of-use assets	(3,065)			(268)	-	(3,333)
Amortisation of intangible assets	-	-	-	(16)	-	(16)
Fair value gain of financial assets at fair value through profit or loss	-	-	-	163	-	163
Reversal of allowance for impairment of financial assets at fair value through other comprehensive income upon redemption	-	-	-	6	-	6
Changes in allowance for impairment of plant & equipment	(129)	77	-	-	-	(52)
Allowance for impairment of trade receivables and contract assets	(195)	(19)	(18)	-	-	(232)
FY2018 (Audited)						
<u>Revenue</u>						
External revenue	157,030	10,295	11,986	-	-	179,311
Inter-segment revenue	4,229	1,568	972	-	(6,769)	-
	<u>161,259</u>	<u>11,863</u>	<u>12,958</u>	<u>-</u>	<u>(6,769)</u>	<u>179,311</u>
<u>Segment results</u>						
	31,122	1,095	(4,267)	(19,346)	(745)	7,859
Share on results in a joint venture	1,629					1,629
Interest income						200
Interest expenses						(2,549)
Profit before income tax						7,139
Income tax expense						(2,073)
Profit for the financial year						<u>5,066</u>
<u>Non-cash items</u>						
Amortisation of gain on sale and leaseback transactions	298	-	-	-	-	298
Gain on disposal of plant and equipment	-	-	-	(155)	-	(155)
Depreciation of property, plant and equipment	(12,102)	(1,164)	(1,337)	(747)	104	(15,246)
Amortisation of intangible assets	-	-	-	(14)	-	(14)
Fair value gain of financial assets at fair value through profit or loss	-	-	-	159	-	159
Changes in allowance for impairment of financial assets at fair value through other comprehensive income	-	-	-	214	-	214
Reversal of allowance for impairment of financial assets at fair value through other comprehensive income upon redemption	-	-	-	49	-	49
Allowance for impairment of plant and equipment	(53)	(113)	-	-	-	(166)
Allowance for impairment of trade receivables	(354)	-	(4,722)	-	150	(4,926)

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Unaudited Financial Statements and Dividend Announcement for Financial Year Ended 31 December 2019

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

	FY2019 (Unaudited)	FY2018 (Unaudited)	Increase/ (Decrease)
	\$'000	\$'000	%
(a) Sales reported for first half year	61,321	90,469	(32.2)
(b) Operating profit/loss after tax before deducting non-controlling interests reported for first half year	3,116	5,726	(45.6)
(c) Sales reported for second half year	73,070	88,842	(17.8)
(d) Operating profit/loss after tax before deducting non-controlling interests reported for second half year	1,009	(660)	(252.9)

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

Not applicable as no dividend has been declared or recommended for FY2019.

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 Kian Haw Douglas	29	Son of Mr Ng Hai Liong	Business Manager/ 2019	Changed from Business Executive to Business Manager
Ng Swee Seng	48	Nephew of Mr Ng Hai Liong	Site Manager/ 2017	No Change
Ng Say Beng Charlie	53	Nephew of Mr Ng Hai Liong	Site Manager/ 2011	No Change

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Unaudited Financial Statements and Dividend Announcement for Financial Year Ended 31 December 2019

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 Reallocated (S\$'000)	Amount Utilised (S\$'000)	Amount unutilised as at the date of this announcement (S'000)
To explore opportunities in mergers and acquisitions, joint ventures and strategic alliances	1,500	(1,330)	(170)	-
To increase LSS production	1,000	-	(1,000)	-
General working capital purposes	1,611	1,330	(2,941) ⁽¹⁾	-
Listing expenses	1,389	-	(1,389)	-
Total	5,500	-	(5,500)	-

Note:

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

As disclosed in the Company's announcement dated 12 September 2019, the Group re-allocated S\$1.33 million of the IPO proceeds originally allocated to explore opportunities in mergers and acquisitions, joint ventures and strategic alliances to general working capital purposes (the "Re-Allocation"). The Re-Allocation is in the best interests of the Group and its shareholders.

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 and the Re-Allocation announcement dated 12 September 2019 respectively.

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
28 February 2020