



**Issuer:** Huationg Global Limited

**Security:** Huationg Global Limited

**Meeting details:**

Date: 14 Jun 2019

Time: 2.00 p.m.

Venue: Bridge Room, Raffles Marina (Country Club), 10 Tuas West Drive, Singapore 638404

**Company Description**

Huationg Global Limited is a Singapore-based company engaged in providing civil engineering services for infrastructure projects and ancillary inland logistics support services. The Company is also involved in the sale of construction materials, such as recycled concrete aggregate (RCA) and liquefied soil stabilizer (LSS). The Company operates through three segments: Civil engineering services, Inland logistics support and Sales of construction materials. The Civil engineering services segment includes construction projects on earthworks, infrastructure works, external works, demolition and excavation works, drainage works and road diversion. The Company also operates and manages entire stockpile sites. The Inland logistics support segment includes rental of construction equipment, including tipper trucks, compactors and excavators. The Sale of construction materials segment includes the supplies of LSS, as well as other construction related equipment and consumables.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=41B](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=41B))

**Q1.** Would the board/management provide shareholders with better clarity on the following operational and financial matters? Specifically:

- (i) Civil engineering services segment:** Revenue for the segment increased by \$29.7 million or 23.3% from \$127.3 million in FY2017 to \$157.0 million in FY2018. This was attributed to contracts secured in FY2017 being in full swing in FY2018 as well as the positive contributions from new contracts secured in FY2018. Segment results increased from \$29.1 million to \$31.1 million, an increase of 6.9%. **Can management help shareholders understand if the group is able to enjoy economies of scale as the business activities increase? What are the pro-active measures by management to maintain/increase its profit margin? In addition, would management consider disclosing the order book on a regular basis?** In Note 24(b) (page 117 – Revenue: Transaction price allocated to remaining performance obligations), the company disclosed that it has \$168 million in remaining performance obligations as at 31 December 2018.
- (ii) Inland logistics support segment:** The segment includes the rental of construction equipment including tipper trucks, compactors and excavators. **Can management disclose the fleet size of its key construction equipment? What was the utilisation rate achieved in FY2018?** Under its property, plant and equipment, the group has a carrying value of \$17.0 million for its trucks and vehicles and \$53.4 million for its plant and machineries. **Can the audit committee help shareholders understand the accounting treatment for the equipment and vehicle leased from NHL Holding Pte. Ltd. under SFRS(I) 16 Leases?**
- (iii) Sale of construction material segment:** Revenue from the sale of construction materials segment decreased by 42.0% to \$12.0 million in FY2018 due to lower demand from customers' land reclamation projects. More importantly, the group recognised a loss allowance on trade receivables and contract assets of \$(4.722) million. This appears to be the main reason that the company had to announce material variances between the unaudited financial statements (first announced on 1 March 2019) and the audited financial statements. **Would the audit committee/management help shareholders understand the circumstances leading to the large loss allowance? What is the profile(s) of the customer(s) who had defaulted? In Note 35.1 (page 128 – Credit risks), the group has stated that its loss allowance of \$(9.73) million includes \$7.6 million which is related to credit-impaired balances from "several customers who are not likely to repay the outstanding balances mainly due to economic circumstances or who have defaulted in payment terms". Would the audit committee help shareholders understand the group's credit risk framework? How robust is the group's credit evaluation? How does the audit committee monitor the compliance of the group's credit risk policies? Given the significant loss allowances, what improvements will the audit committee be making to the group's credit risk framework?**

**Q2.** On 3 July 2018, the group announced that it is seeking a dual primary listing of its ordinary shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "SEHK") (the "Proposed Dual Listing").

The reasons for the proposed dual listing included:

- ready access to two different equity markets
- increase market visibility of the company
- attract investors with different profiles
- potential to widen the investor base of the Company and enable the Company to benefit from exposure to a wider range of private and institutional investors

As disclosed in the annual report, preparatory works are on-going and no application to SEHK nor SGX-ST has been made by the company. The initial professional fee incurred in relation to the proposed dual listing has already reached \$0.7 million.

- (i) Can the board elaborate further on the benefits of a dual primary listing in SEHK? Has the board estimated and quantified the benefits?**
- (ii) Given that the company trades at approximately 0.33 times of its book value in SGX, what valuation can the group obtain should the SEHK listing proceed? What assurance can the board give to minority shareholders that they will not be unduly diluted as a result?**
- (iii) Has the board reviewed the performance of other SGX-listed companies that dual-listed on SEHK?**
- (iv) In particular, how does the company plan to demonstrate the commercial rationale for its proposed listing on the SEHK and its genuine funding needs to support and grow the business?**
- (v) Is the company aware that the SEHK has a minimum expected market capitalisation at the time of listing of HK\$500 million for a new applicant?**
- (vi) If the group has no plans to expand its core operations to Hong Kong and/or China, how relevant is the listing of the company's shares to the investors in SEHK?**
- (vii) With \$0.7 million already spent on professional fees, how much more will be required for the entire application?**

**(viii) How much of management’s time and energy is taken up by the SEHK application? Has it affected the group’s operations and overstretched its corporate functions, including the finance team? It is noted that the company’s Annual General Meeting for the financial year ended 31 December 2018 was delayed by 2 months due to “staff turnover and increase in business activities”. What guidance has the board given to management to maintain its focus on the core operations?**

**Q3.** The attendance of directors at board and board committee meetings is shown in the table below (page 19):

	Board	AC	NC	RC
Number of meetings held in FY2018	4	3	1	1
Name of Director	Number of Meetings Attended			
Mr Ng Hai Liong	4	3*	1*	1*
Mr Ng Kian Ann Patrick	4	3*	1	1*
Mr Ng Kian Yeow, Vincent	4	3*	1*	1*
Mr Yuen Sou Wai	4	3	1	1
Mr Yen Se-Hua Stewart	4	3	1	1
Mr Wee Heng Yi, Adrian	4	3	1	1

\* *By invitation*

(Source: Company annual report)

As can be seen from the table above, the executive directors are invited to the board committee meetings. Mr Ng Hai Liong, the executive chairman, is the father of Mr Ng Kian Ann Patrick (executive director & Chief Executive Officer) and Mr Ng Kian Yeow, Vincent (executive director & Chief Operating Officer). Together, the executive directors hold more than 80% of the company’s shares.

- (i) Can the board help shareholders understand if it is the usual practice for non-board committee members (i.e. the executive directors) to attend board committee meetings?**
- (ii) Were there specific agenda items or reasons to invite the executive directors to all the board committee meetings?**

- (iii) What is the dynamics of the board committee meetings when the board committee members may be reviewing and discussing matters that are related to or affect the executive directors?** Such board committee meetings would have included agenda items on performance assessment and remuneration of the executive directors and on the audit/financial reporting/internal controls of the group.
- (iv) Do the invited directors also actively participate in the discussions during the board committee meetings? If so, how are board committee meetings different from the board meeting?**

A copy of the questions for the Annual Report for the financial year ended 31 December 2017 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Huatiang%20Global%20Ltd&cid=6785,4563>

The company's response could be found here: -----