Securities Investors Association (Singapore)
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www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y0Y

Issuer: Huationg Global Limited

Stock code: 41B

Meeting details:
Date: 28 April 2023
Time: 2.30 p.m.
Venue: <<live webcast>>

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

(i) **Civil engineering contract work:** Revenue declined from $153 million to $101 million in 2022. **Can management provide more information on the underlying reasons for the decrease? In addition, has the group been able to secure the skilled manpower needed for its operations?**

(ii) **Inland logistics support:** Revenue from inland logistics support increased from $12.1 million to $23.4 million, marking the highest segmental revenue since 2014-2015 when the group recognised $27-28 million in segmental revenue. **Can management elaborate further on the underlying reasons for the increase? Are inland logistics support services recurring and/or long-term in nature?**

(iii) **Loss allowance:** Despite revenue decreasing by 11% in 2022, the net loss allowance on trade receivables and contract assets more than doubled from $2.34 million to $5.76 million. Specifically, this was due to the loss allowance on contract assets of $5.80 million (offset by a reversal in the loss allowance on trade receivables). In 2021, the loss allowance on contract assets was $2.37 million. **Can the audit committee (AC) provide shareholders with a detailed explanation of how it determined the loss allowance on contract assets and the underlying reasons for this allowance?**

(iv) **Financial assets at fair value through profit and loss:** Note 11 shows the details of the two universal life insurance policies taken up by the group on the life of the director. The transfers of the two policies to the executive director have been extended to 2023 and 2025. **Can the company clarify whether the universal life insurance policies obtained for the executive director are considered a form of remuneration or benefit for the director, or key-man risk insurance for the company? Additionally, could the company provide information on the terms of the transfers? Do the transfers represent a (future) liability to the group, and if so, are these liabilities recognised on the balance sheet?**

(v) **9 Benoi Crescent: What is the progress on the sale of 9 Benoi Crescent?**

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Q2. On 11 April 2023, the company announced that there are material variances between the unaudited financial statements and the audited financial statements for the financial year ended 31 December 2022 following the finalisation of audit. The announcement on the unaudited financial results was first released via SGXNet on 1 March 2023 while the announcement of material differences came 6 weeks after.

Following the finalisation of audit, revenue was $5.2 million lower, while cost of sales and services decreased by $5.1 million. Contract liabilities more than doubled to $2.7 million while other reserves decreased by $10.65 million. Net contract assets were $1.4 million or 91% higher.

Some of the reasons for the changes include:
- elimination of inter-company transaction of $5.2 million from revenue and cost of sales and services
- adjustment of unpaid consideration for purchase of property, plant and equipment
- reclassification of contract liabilities from trade and other payables

There have been material variances in the unaudited financial statements in 6 out of the past 7 years, for FY2016 to FY2022, with the exception of FY2017.

(i) **Would the newly appointed AC chairman share his views on the challenges faced by the group in its financial reporting, if any?**

(ii) **Will the AC (along with the nominating committee (NC)) oversee the search of a chief financial officer (see Question 3 below)? If so, would the board be finalising the selection criteria for the CFO and update shareholders on how it intends to carry out a search for a new CFO?**

(iii) **In addition, will the board be reconstituting the AC and to strengthen it with directors with recent and relevant accounting or related financial management expertise or experience and with a track record of discharging their duties as AC members (Principle 10: Code of Corporate Governance 2018)?**

(iv) In addition, the disclosure of segment information (Note 32) has unallocated costs of $(15.4) million. This makes the financial reporting on the operating segment not meaningful given its materiality. **Would the AC look into ways of improving the allocation of costs to make segment reporting more meaningful?**

32. Segment information (cont'd)

Operating segments	Civil engineering contract works	Inland logistics support	Sales of construction materials	Dormitory operation	Unallocated	Elimination	Consolidated
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2022							
Revenue							
External revenue	100,642	23,379	2,982	24,700	–	–	151,703
Inter-segment revenue	18,965	5,239	929	–	–	(25,133)	–
	119,607	28,618	3,911	24,700	–	(25,133)	151,703
Results							
Segment results	3,225	5,676	310	20,948	(15,380)	–	14,779
Share of results of a joint venture	(151)	–	–	–	–	–	(151)
Interest income							83
Interest expenses							(2,681)
Profit before income tax							12,030
Income tax expense							(1,879)
Profit for the financial year							10,151

(Source: company annual report; emphasis added)

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Q3. On 14 April 2023, the company announced the cessation of the chief financial officer, Mr Goh Tuck Peng, who has been in the role since 21 July 2021. The CFO's service will end on 12 July 2023, less than 2 years after he was appointed. The reason given was to "consider pursuing other opportunity or personal interest".

Date & Time	Issuer Name	Security Name	Title	Category
14 Apr 2023 11:00 PM	HUATIONG GLOBAL LIMITED	HUATIONG GLOBAL LIMITED	Change - Announcement of Cessation::Announcement of Cessation of Chief Financial Officer	Announcement of Cessation
16 Nov 2022 06:54 PM	HUATIONG GLOBAL LIMITED	HUATIONG GLOBAL LIMITED	Change - Announcement of Cessation::Announcement of Cessation of Lead Independent Director and Audit Committee Chairman	Announcement of Cessation
19 May 2021 07:01 PM	HUATIONG GLOBAL LIMITED	HUATIONG GLOBAL LIMITED	Change - Announcement of Cessation::ANNOUNCEMENT OF CESSATION OF CHIEF FINANCIAL OFFICER	Announcement of Cessation

(Source: www.sgx.com)

The resignation of Mr Goh Tuck Peng follows the cessation of Mr Yuen Sou Wai, who was the lead independent director and chairman of the AC, in November 2022.

In addition, before Mr Goh Tuck Peng, Ms Karen Ji Cuihua resigned as CFO with effective date on 21 July 2021, for "personal health matters".

(i) **Can the NC help shareholders better understand its role in assisting the company with the selection and screening process for key management personnel, specifically in the case of the CFO?**

(ii) **Would the NC and/or the AC review the relatively quick cessations of the CFOs and look into the circumstances?**

(iii) **Separately, has the board/AC reviewed the company's internal controls (including financial, operational, compliance and information technology controls) and risk management systems and found them to be adequate and effective?**

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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