Huationg Global Limited
Company Registration Number: 201422395Z
(Incorporated in the Republic of Singapore on 1 August 2014)
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RESPONSES TO QUESTIONS RAISED BY SHAREHOLDERS IN RELATION TO THE (i) ANNUAL GENERAL MEETING; (ii) ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024 ("FY2024"); AND (iii) EXTRAORINDARY GENERAL MEETING

The Board of Directors (the "**Board**") of Huationg Global Limited (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the questions raised by its Shareholders in relation to its (i) Annual General Meeting, (ii) Annual Report for FY2024 issued on 8 April 2025, and (iii) Extraordinary General Meeting.

The Company has consolidated the questions submitted and has set out responses to the questions at **Annex A** of this announcement.

By Order of the Board
Huationg Global Limited

Ng Kian Ann Patrick
Executive Director and Chief Executive Officer

17 April 2025

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*This announcement has been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**Exchange**") and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.*

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ANNEX A

A. GENERAL QUESTIONS

*Unless otherwise defined, all capitalised terms used in this Annex which are not defined herein shall have the same meanings ascribed to them in the Company's Annual Report for the financial year ended 31 December 2024 ("**Annual Report**") and in the circular to the Shareholders of the Company dated 8 April 2025 ("**Circular**").*

1) Dividend Policy and Capital Allocation - The company currently holds $110 million in cash against $56 million in borrowings. With a net cash position and a cash balance of $0.62 per share (versus a share price at ~30%), will the Board consider a special dividend or corporate actions such as a share split or bonus issue. FY2024 dividend payout will be 1.1 cents per share — approximately 12% of net profit or S$1.94 million. Over the past two years, dividend payout ratios have ranged from 9.9% to 13.8%.

This payout ratio seems inadequate given the company's strong profitability and consistent positive operating cash flows — exceeding $70 million in the last two years and a minimum of $18 million over the past four.

Will the company commit on the dividend ratio to create reward for shareholders?

The Company's cash of S$110.7 million is mainly attributable to advance payments from customers amounting to S$72.4 million reflected as Contract Liabilities[1]. In FY2023, the Contract Liabilities was S$41.8 million and in FY2022, it was S$2.7 million. As these funds are received in advance for project works that have yet to be completed, it would not be prudent to utilise these funds for dividend payments.

Excluding these funds, the cash balance would be S$38.3 million. As pointed out, the Group's total bank borrowings has increased in FY2024 to S$56.4 million from S$39.3 million in FY2023[2]. As such, additional cash needs to be set aside for loan and interest repayments. In addition, refundable deposits in Trade Liabilities have reduced from S$9.9 million (FY2023) to $0.5 million (FY2024)[3], so more cash is needed for working capital purposes.

The Company is maintaining appropriate cash balances to ensure it has sufficient cash for capital expenditure, repayment of bank borrowings, bank interest and taxes, in addition to working capital needs. Managing cash flows remains a high priority for the Company.

Dividend payments, if approved at the AGM by shareholders, will have increased to $1.95 million in FY2024 from $1.42 million in FY2023.

The Company does not have a dividend policy to commit to a pre-determined dividend payout ratio. Notwithstanding, the Company remains committed to enhance value for its shareholders and strives to achieve an efficient capital structure that balances the returns to shareholders with the Company's capital needs for investment and growth.

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[1] Please refer to the Company's Statement of Financial Position on page 84 of the Annual Report and in Note 15 on page 118

[2] Please refer to Note 24 on page 126 of the Annual Report

[3] Please refer to Note 22 on page 124 of the Annual Report

2) **The Executive Directors' remuneration, especially the performance bonus (PB) structure, deserves closer scrutiny. The current PB benchmarks have remained unchanged despite increasing profitability. The PB criteria should be revised annually to reflect the evolving financial performance of the company. Furthermore, recurring revenue streams such as dormitory rental should not be rewarded with outsized PBs each year. The Remuneration Committee to re-evaluate these benchmarks.**

Dormitory operations major contract ended in August 2024 and had a lower contribution in FY2024. The Performance Bonus structure does not distinguish the source of profits by segment or type.

The Remuneration Committee has planned to review the performance bonus structure in FY2025 and will validate it against industry peers.

3) **If the long-term intent is to operate the company as a closely held family business, a fair privatization offer might be a reasonable path forward. With only ~40 million shares in the float, this option should not be dismissed.**

As of date of this announcement, the Board has no plans to privatise or delist.

4) **Why is there no share mandate proposed?**

Please refer to Resolution 8 of the Notice of the AGM on the Authority to allot and issue shares in the capital of the Company.

5) **Share price is undervalued, any plans to enhance shareholders value?**

Management is focused on enhancing shareholder value through improving the profitability of the Company. Since the end of COVID-19, Profit after tax has increased from S$5.2 million (FY2021) to S$16.3 million (FY2024), a compound annual growth rate (CAGR) of approximately 46.5%. Share price has recovered from a low of 8 cents (January 2023) to recently 23 cents (as at 15 April 2025), an increase of approximately 187%.

The Company is confident that the market will recognise and accurately reflect the value of the Company's shares in due course.

B. QUESTIONS PERTAINING TO THE GROUP'S DORMITORY OPERATIONS SEGMENT

1) **What are the plans for dormitory business moving forward?**

The Company is continuously exploring opportunities to tender for potential dormitory sites and contracts. The Company will update shareholders on SGXNet if there are any further significant developments.

C. QUESTIONS PERTAINING TO THE ESOS / PSP CIRCULAR AND EGM

1) ESOS (Employee Share Option Scheme) With a marginal increase in dividend payout (from 9.9% to 12%) and without clear returns to shareholders through increased dividends or improved capital efficiency, the proposed issuance of up to 15% of total shares (26.5 million) via options, risks diluting EPS and NAV for existing shareholders.

The Company is cognisant of the dilutive impact to the Earnings Per Share and Net Tangible Asset of the Company's shares as set out under paragraphs 1.5.2, 1.5.3, 2.5.2 and 2.5.3 of the Circular.

The ESOS and PSP would not affect the dividend payout percentage. Please refer to responses to question A1 on the Company's dividend policy and question A5 above on shareholder returns.

Notwithstanding the above, the Company views that the adoption of the ESOS and PSP would be beneficial to the Company. A summary of the rationale for ESOS and PSP (as set out in the Circular) is listed below:

1. To better manage fixed overheads (freeing up cashflow);
2. To motivate employees to contribute towards the long-term growth of the group, by aligning their interest with shareholders';
3. More effective than cash bonus to employees;
4. Provides flexibility to tailor reward and incentive packages for employees; and
5. To retain key employees and attract potential employees.