**Huationg Global Limited**
Company Registration Number: 201422395Z
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## RESPONSES TO QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED DATED 15 JUNE 2020

The Board of Directors (the "**Board**") of Huationg Global Limited (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the Company's announcement dated 28 May 2020 in relation to the Company's annual report for the financial year ended 31 December 2019 ("**FY2019 Annual Report**") and the following queries from the Singapore Exchange Securities Trading Limited dated 15 June 2020.

*Unless otherwise defined or the context otherwise requires, all capitalized terms shall bear the same meaning as ascribed to them in the FY2019 Annual Report.*

***Q1. Please disclose the reasons for the Company to have classified S$63 million worth of assets under Property, plant and equipment instead of Right-of-use Assets, and whether the classification was in accordance to the SFRS.***

**Company's Response:**

As mentioned in the Company's response to shareholder's queries in its announcement dated 15 June 2020, the Company would like to clarify that the reclassification of the assets under finance lease to right-of-use assets on initial adoption of Singapore Financial Reporting Standard (International) ("SFRS(I)") 16 of S$63.1 million (the "Reclassification").

The Reclassification related to the alternative ways of presentation of SFRS(I) 16.

Para 47 a) of the SFRS(I) 16 on the presentation states:

*"A lessee shall either present in the statement of financial position, or disclose in the notes:*

*(a) right-of-use assets separately from other assets. If a lessee does not present right-of-use assets separately in the statement of financial position, the lessee shall:*

*(i) include right-of-use assets within the same line item as that within which the corresponding underlying assets would be presented if they were owned; and*
*(ii) disclose which line items in the statement of financial position include those right-of use assets."*

The Company did not present right-of-use assets separately in the statement of financial position in the Unaudited Financial Statements released on 28 February 2020, this was in line with the SFRS(I) 16.

However, to have better clarity, the Company decided to present the right-of-use assets separately in the audited statement of financial position with the concurrence of the Company's Independent Auditor.

***Q2. What has the AC done to satisfy itself of the sufficiency and suitability of the Group's internal financial reporting/finance resources?***

**Company's Response:**

As disclosed under Provision 9.1 of the corporate governance report in the Company's FY2019 Annual Report, the AC has taken immediate steps in the oversight of the internal financial reporting or finance resources of the Group by working closely with the Chief Financial Officer ("**CFO**") and Management to improve the process and the CFO and Management are required to update the AC on a regular basis.

***Q3. As the Company had reported material variances 3 times over the past 4 financial years, please provide us with the AC and Board's views on whether the Company's financial controls are adequate and effective. In addition, please also elaborate on the Company's efforts in addressing and minimizing future recurrent material variances between unaudited and audited results***

**Company's Response:**

The material variances between the unaudited financial statements and audited financial statements for the financial year ended 31 December 2016 was mainly due to a reclassification of S$2.9 million in the finance lease payables from non-current finance lease payables to current finance lease payables in the audited financial statements with the concurrence of the Company's Independent Auditor.

The material variances between the unaudited financial statements and audited financial statements for the financial year ended 31 December 2018 was mainly due to the additional loss allowance on trade receivables of $3.4 million as a result of re-assessment of the recoverability of outstanding balances from its debtors by the Group.

The material variances between the unaudited financial statements and audited financial statements for the financial year ended 31 December 2019 was mainly due to the Reclassification as mentioned in the Company's response under Question 1 of this announcement.

The AC and the Board are of the view that the internal financial controls of the Group are adequate and effective taking into consideration the following factors:

(a) the AC and Board had reviewed the variances on each occasion and the variances were inadvertent mostly due to adjustments to accounting treatment.

(b) the Group's risk management and internal control systems are effective and adequate in all material aspects given its current business environment in the construction industry.

(c) the AC and the Board have oversight of the financial controls of the Company and also receive updates from an independent body of internal auditors, Nexia TS Risk Advisory Pte Ltd ("**Nexia**"), on the internal controls of the Company and deliberates the issues at each AC meeting.

The AC has also taken steps to work closely with the CFO and Management to enhance and improve the financial reporting process and ensure the financial statements give a true and fair view in accordance with the provisions of the Companies Act, Chapter 50 and SFRS(I).

***Q4. Please clarify the reason(s) behind the two-month gap between the cessation of Mr Khin Maung Tun @ Lim Ming Hwee as an executive officer of the Group, and the date of the announcement pertaining to said matter.***

**Company's Response:**

During this period of Covid-19 outbreak, our Human Resource (the "**HR**") Department has been working relentlessly with the implementation of staggered working hours and business continuity plans for our Group.

Concurrently, the HR was trying to assign Mr Khin Maung Tun @ Lim Ming Hwee ("**Mr Khin**") duties to various parties such as the Chief Operating Officer and the Head of Contracts. Our HR has a mutual understanding with Mr Khin that he will extend his notice period should there be a delay in the transfer of his duties.

Given the tight timeline and coping with the daily updates on Covid-19 situation, our HR eventually managed to effect a smooth transition of Mr Khin's duties towards the end of March 2020.

***Q5. Listing Rule 710 requires issuers to provide, where there are variations from the provisions prescribed in the Code of Corporate Governance 2018 (the "Code"), an explanation on the reasons for the variation, as well as how the practices it had adopted are consistent with the intent of the relevant principle.***

***While the Company had stated in its FY2019 Annual Report that it does not comply with Provision 2.3 of the Code given that non-executive directors do not make up a majority of its Board, no further explanations were provided for the reasons for the deviation, as well as how the Company's practices remain consistent with the intent of Principle 2 of the Code.***

***Please explain the reasons for variation, as well as explain how the practices the Company had adopted are consistent with the intent of Principal 2 of the Code.***

**Company's Response:**

Non-executive directors of the Company currently make up 50% of the Board and not the majority as stated in Provision 2.3 of the Code.

As disclosed under Provision 2.3 of the corporate governance report in the Company's FY2019 Annual Report ("**CG Report**"), the Company is currently re-assessing the Board composition to comply with Provision 2.3 of the 2018 Code and will endeavour to comply with Provision 2.3 for the financial year ending 31 December 2020.

During this transition period, the Company believes that the existing Board composition is consistent with the intent of Principle 2 of the Code as the Non-Executive Directors, who are also Independent Directors, chair the respective Board Committees, are from diverse backgrounds such as accounting, finance, legal, corporate governance and engineering with successful careers and experience in professional firm, multi-national corporations or listed companies.

As disclosed at Provision 3.3 of the CG Report, the Board has a Lead Independent Director, Mr Yuen Sou Wai, who plays a facilitative role in providing leadership in situations where the Chairman is conflicted.

The Board believes that its current Board size and the existing composition of the Board Committees effectively serves the Group. The level of independence and diversity of thought and background in the composition of the existing Board enables the Board to make decisions in the best interests of the Company.

In view of the aforementioned reasons, the Company believes that its practices are consistent with the intent of Principle 2 of the Code as required by Listing Rule 710.

Nevertheless, as mentioned above, the Company is re-assessing the Board composition and will endeavor to comply with Provision 2.3 for the financial year ending 31 December 2020. In re-assessing the Board composition, the Board will adopt the recommendations from the Nominating Committee which is tasked to assess the current board composition.

By Order of the Board
Huationg Global Limited

Ng Kian Ann Patrick
Executive Director and Chief Executive Officer

17 June 2020

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*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.*

*The contact person for the Sponsor is Mr Joseph Au, Associate Director, Continuing Sponsorship (16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg).*