Huationg Global Limited

Continuing Success

annual report

2016

This annual report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") for compliance with the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this annual report.

This annual report has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this annual report, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this annual report.

The contact person for the Sponsor is Mr Joseph Au, Associate Director, Continuing Sponsorship, at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, telephone (65) 6229 8088.

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CORPORATE PROFILE

Huationg Global Limited (“**Huationg Global**” and together with its subsidiaries the “**Group**”) is principally engaged in the provision of civil engineering services for infrastructure projects and ancillary inland logistics support services. We are also involved in the sale of construction materials such as recycled concrete aggregate (“**RCA**”) and liquefied soil stabiliser (“**LSS**”).

CORPORATE PROFILE

CIVIL ENGINEERING SERVICES

We are registered with the Building and Construction Authority of Singapore ("**BCA**") with the highest BCA grading of A1 under the category CW02 for civil engineering which allows us to tender for public sector projects in relation to civil engineering works of unlimited values. We have also obtained a higher BCA grading under the category CW01 for General Building of B2 which allows us to tender for projects up to S$13 million. We provide a full range of civil engineering services from earthworks, infrastructure works, external works, demolition and excavation works, site clearance, drainage works, reinforcing bar installation, formwork, concrete installation, backfill and compaction to final handover.

With our comprehensive pool of construction equipment and specialist modular formwork, we are able to undertake concrete construction projects in Singapore. We are engaged in civil engineering works for numerous large infrastructural construction projects in Singapore and our customers in this segment include, among others, the Housing and Development Board, the Land Transport Authority of Singapore, JTC Corporation, Changi Airport Group and Daelim Industrial Co. Ltd.. In addition, we also provide stockpile management services.

INLAND LOGISTICS SUPPORT

We provide a wide range of construction equipment including articulated dump trucks, rollers, bulldozers, wheel loaders, telescopic clamshell, breakers, tipper trucks, compactors, excavators and concrete pumps.

SALE OF CONSTRUCTION MATERIALS

We recycle construction waste and aggregates at our recycling operations at Tuas South Avenue 1. The RCA produced are primarily used to support our own civil engineering activities and depending on prevailing market conditions and demand, also sold to third parties.

We also manufacture and supply LSS, a self-flowable, self-compacting and self-leveling alternative to conventional compacted fill. LSS can be used as non-structural fill for buildings and other structures and for backfill in utility and road construction. Most of the LSS is used to support our civil engineering operations though we do supply them to third parties as and when there is market demand. As we are able to adjust the liquidity and strength of LSS mixtures, we are able to provide customised solutions to meet the different needs of our customers.

CHAIRMAN’S STATEMENT

Ng Hai Liong
Executive Chairman and
Executive Director

Dear shareholders,

On behalf of the Board of Directors, I am pleased to present the annual report for Huationg Global Limited (“**Huationg Global**” and together with its subsidiaries, the “**Group**”) for the financial year ended 31 December 2016 (“**FY2016**”). FY2016 was a year in which we focused on enhancing our capabilities and managing our resources more prudently amidst a challenging economy.

The Group recorded net profit attributable to owners of the parent of S$4.1 million with revenue of S$117.2 million in FY2016, compared with S$5.1 million and S$130.2 million respectively for the preceding financial year (“**FY2015**”). We generated strong sales in construction materials, but revenue from our civil engineering service and inland logistics segments was lower. In FY2016, not only did most of our new civil engineering projects commence at the tail end of the year, but we also recognised lower revenue from the completion of certain projects and undertook fewer ad-hoc short-term projects. We also experienced softer demand for aggregates in the construction industry that had a negative impact on our inland logistics support revenue. On the other hand, sales revenue from construction materials quadrupled with higher demand of construction materials from our customers’ land reclamation projects and other projects which required filling materials.

We continued to manage and optimise the use of our resources in order to keep our production costs contained. In addition, as many of our civil engineering projects were delivered at different timings throughout FY2016, costs were reduced significantly since we did not need to hire third-party transportation and labour resources intensively. Our purchase of machinery and vehicles in the second half of FY2015 meant we incurred lower expenses in rental during FY2016. Accordingly, we were able to keep our gross profit margin stable at 19.9% in FY2016 compared to 20.1% in FY2015.

To reward our shareholders for their continued support, the Directors have recommended a first and final tax-exempt cash dividend of 0.4 Singapore cents per ordinary share for FY2016. Based on the earnings per share of 2.69 Singapore cents in FY2016, the dividend payout ratio for the Group stood at 14.9% compared to 18.0% in FY2015.

In a year with a slowdown in construction sector activity, we strengthened our order book with approximately S$113.7 million in new contracts, attesting to the strength of Huationg Global's long-established track record and expertise. Apart from the on-going projects for Mass Rapid Transit, Changi Airport and Defu Industrial City, we secured new projects such as earthworks and other development works at Tuas Terminal Phase 1, construction of roads and bus facilities at Buangkok and various infrastructural development works at Bukit Batok.

The Group achieved a significant milestone in November 2016 when we obtained the highest grading of A1 under the category CW02 for civil engineering from the Building and Construction Authority ("**BCA**"). This allows us to tender for public sector civil engineering projects with unlimited values. We also obtained a higher BCA grading of B2 under the category CW01 for General Building which allows us to tender for projects of up to S$13 million.

OUTLOOK AND BUSINESS STRATEGIES

BCA has projected the total value of construction contracts to be awarded in 2017 to be between S$28.0 billion and S$35.0 billion, higher than the preliminary estimate of S$26.1 billion for 2016, mainly due to an anticipated increase in public sector construction demand. The public sector is expected to contribute about 70% of the total construction demand, boosted by an increase in demand for most building types and civil engineering works[1].

As a further boost to public sector construction, it was announced at the Singapore Budget 2017 that S$700 million in public sector infrastructure projects will be brought forward to FY2017 and FY2018. Construction firms can bid for these projects, which will include the upgrading of community clubs and sports facilities[2]. In addition, a S$150 million Public Sector Construction Productivity Fund will be introduced to allow government agencies to procure innovative and productive solutions in construction projects[3]. With our enhanced BCA grading, the Group expects to be actively bidding for many of these new projects.

In addition, the Group will continue to seek avenues in forging strategic alliances with business partners for new business opportunities. For example, the Group signed a memorandum of understanding in January 2017 with established industry player Samwoh Corporation Pte. Ltd. for a joint venture to participate in a BCA tender.

As a boost to our training capabilities, Huationg Contractor Pte Ltd, the Group's wholly-owned subsidiary, was appointed as an Approved Training and Testing Centre by BCA in 2016 to conduct various machinery handling courses and offer test enrolment services. We believe this will help the Group enhance its productivity and improve its market position in the civil engineering sector.

APPRECIATION

I would like to thank my fellow Board members for your guidance and professional counsel, which have been instrumental in taking the business forward. Thank you to our customers for your continued confidence and trust in us. I am also grateful to our business partners for your unwavering support to the business over the years.

Our track record and reputation over the years have been built on the dedication and hard work of our management and staff and I would like to thank them for their effort and going the extra mile to help the Group succeed.

Finally, I would like to thank our shareholders for your continued support and belief in Huationg Global. With the confidence you have given us, we will do our very best to maximise shareholder value and push the business to the next level.

Ng Hai Liong
Executive Chairman and
Executive Director

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[1] *BCA media release "Public sector construction demand is expected to increase this year", 6 January 2017 (https://www.bca.gov.sg/newsroom/others/PR_Prospects2017.pdf)*

[2] *Ministry of Finance "FY2017 Budget Statement", 20 February 2017 (http://www.singaporebudget.gov.sg/data/budget_2017/download/FY2017_Budget_Statement.pdf)*

[3] *TODAY, 21 February 2017, 'S$150m Public Sector Construction Productivity Fund unveiled'*

OPERATING AND FINANCIAL REVIEW

OPERATIONAL REVIEW

Projects Overview

Civil engineering services segment remained a strong contributor to the Group's revenue, accounting for S$90.8 million or 77.5% of overall revenue in the financial year ended 31 December 2016 ("**FY2016**"). The Group also recorded revenues of S$16.3 million and S$10.1 million from the provision of inland logistic support and sale of construction materials respectively, reflecting a revenue share of 13.9% and 8.6% respectively in FY2016.

Some of the key civil engineering projects that contributed toward the Group's revenue in FY2016 included, among others, the following:

Earthworks

- Land preparation works for Changi Airport Terminal 5 development
- Earthworks for advanced piling, soil improvement and works at Depot
- Site clearance and earthworks at Tampines N6 (Phase 2B)
- Earthworks for construction of Marina Bay Station and Tunnels for Thomson Line

Infrastructure

- Proposed road widening and construction of road related facilities along Tampines Ave 9
- Design, development and construction of the proposed infrastructure works and two 22KV electrical substations at Lim Chu Kang
- Infrastructure development of Defu Industrial Estate

Others

- Managing agent for site(s) management, earthworks and material stockpiles at Tuas View Extension
- External works for proposed development of an integrated regional hospital at Sengkang
- Operating agent for aggregate landing Site at Changi East

OPERATING AND FINANCIAL REVIEW

In FY2016, the Group secured new projects that amounted to approximately S$113.7 million that are targeted for delivery within the next two to three years. They relate to mainly public infrastructure projects such as:

- A project at Bukit Batok estate with the following work scope:
  - Earthworks and slope formation at Bukit Batok N4;
  - Widening of Bukit Batok West Avenue and construction of Bukit Batok West Avenue 5 (extension) and Bukit Batok West Avenue 8; and
  - Relocation of bus bay and bus shelter at Bukit Batok Road.
- Site clearance and earthworks for Defu Industrial City
- Earthworks and construction of Punggol Drive
- Earthworks and surcharging works at Tuas Terminal Phase 1 reclamation, wharf construction and dredging
- Improvement works to surface car parks (batch 70)
- Proposed infrastructure works at Tuas South Boulevard extension
- Construction of Buangkok Drive (extension) in Hougang Town (part 1) and construction of bus bay /bus shelters along Buangkok Crescent and Buangkok Link

In addition, the Group is also actively sourcing and tendering for new projects in the public and private sectors as part of its ongoing business operations.

FINANCIAL REVIEW

Group Revenue

Group revenue decreased by approximately S$13.0 million or 10.0% from S$130.2 million in the financial year ended 31 December 2015[1] ("**FY2015**") to S$117.2 million in FY2016. This was due to lower contributions from the civil engineering services and inland logistics support segments, and partially offset by robust growth from the sale of construction materials segment.

On a year-on-year ("**y-o-y**") basis, civil engineering services recorded a revenue decline of approximately S$8.8 million or 8.8% from S$99.6 million in FY2015 to S$90.8 million in FY2016. This was because the Group recognised lower revenue from completion of certain projects and undertook fewer ad hoc short-term projects in FY2016, whilst most of the Group's newer projects commenced towards the end of FY2016. Due to decreased demand for aggregates in the construction industry last year, the Group also provided less inland logistics support, resulting in approximately a S$11.8 million or 42.1% y-o-y decline in revenue from S$28.1 million in FY2015 to S$16.3 million in FY2016.

In contrast, the Group's revenue from the sale of construction materials quadrupled from S$2.5 million in FY2015 to S$10.1 million in FY2016 driven by higher demand of construction materials from customers' land reclamation projects and other projects which required filling materials.

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[1] *The FY2015 comparatives have been restated relating to an omission of depreciation charge on leasehold properties.*

OPERATING AND FINANCIAL REVIEW

Operating Costs and Expenses

Cost of sales decreased by approximately S$10.1 million or 9.7% from S$104.0 million in FY2015 to S$93.9 million in FY2016, mainly due to lower costs for sub-contracting works, rental of machinery, vehicles and site premises, and direct labour.

Sub-contract costs decreased by approximately S$11.2 million or 39.4% from S$28.5 million in FY2015 to S$17.3 million in FY2016, while direct labour costs decreased by approximately S$1.7 million or 10.2% from S$17.3 million in FY2015 to S$15.6 million in FY2016. This was because, when compared to FY2015, there were no concurrent deliveries of several civil engineering projects that required substantial third-party transportation and labour resources, and most of the Group's new projects only commenced towards the end of FY2016. The Group's lower deployment of labour also reduced administrative expenses by approximately S$0.4 million or 2.3% from S$18.7 million in FY2015 to S$18.3 million in FY2016 due to lower foreign workers' levies.

The cost of operating lease, repair and maintenance decreased by approximately S$3.9 million or 26.9% from S$14.4 million in FY2015 to S$10.5 million in FY2016 as the Group acquired more machinery and vehicles since the second half of 2015, reducing its reliance on third-party rentals in FY2016.

Direct material costs increased by approximately S$3.5 million or 12.4% from S$28.1 million in FY2015 to S$31.6 million in FY2016, a result of increased sales of construction materials by the Group, partially offset by a reduction in fuel costs due to lower fuel prices since FY2015. Depreciation expenses on income-generating assets increased by approximately S$1.5 million or 11.5% from S$13.0 million in FY2015 to S$14.5 million in FY2016 due to the purchase of new machinery and equipment since the second half of 2015.

Compared to S$2.3 million in FY2015, other expenses decreased by approximately S$1.0 million or 40.9% to S$1.3 million in FY2016. This was primarily due to the absence of a S$1.5 million allowance for impairment of trade receivables in FY2015, partially offset by a S$0.8 million allowance for impairment of an available-for-sales financial asset in FY2016.

Meanwhile, finance costs increased by approximately S$0.2 million or 8.5% from S$2.0 million in FY2015 to S$2.2 million in FY2016 primarily due to higher finance lease being drawn down for the purchase of machinery and equipment since the second half of 2015.

Other income increased by approximately S$0.9 million or 34.1% from S$2.8 million in FY2015 to S$3.7 million in FY2016, mainly due to a gain on disposal of heavy machinery and equipment and income from fabrication works.

Profit

The Group posted a lower gross profit of S$23.3 million in FY2016 compared to S$26.2 million in FY2015. Despite this, gross profit margin remained relatively stable at 19.9% in FY2016 versus 20.1% in FY2015.

There was share of loss of S$89,000 recorded in FY2016 in relation to a joint venture company the Group formed with Golden Empire Civil Engineering Pte. Ltd.. As the joint venture was incorporated in the second half of 2015, there was no comparative figure in FY2015.

Overall, the Group recorded a profit attributable to owners of the parents of S$4.1 million in FY2016, 19.4% lower than S$5.1 million in FY2015.

OPERATING AND FINANCIAL REVIEW

Financial Position

As at 31 December 2016, the Group had cash and bank balances of S$14.3 million and equity attributable to owners of the parent of S$57.8 million.

The Group's total assets decreased by approximately S$5.7 million to S$185.1 million as at 31 December 2016, compared to S$190.8 million as at 31 December 2015. This was mainly due to a reduction in Property, Plant and Equipment ("**PPE**") of approximately S$4.4 million from S$109.4 million as at 31 December 2015 to S$105.0 million as at 31 December 2016, primarily due to a S$15.1 million depreciation charge of on PPE and net disposal of S$11.6 million, and partially offset by the additions of PPE of S$21.4 million and a revaluation gain on the leasehold properties of S$0.9 million in FY2016.

Cash and bank balances decreased by approximately S$4.5 million to S$14.3 million as at 31 December 2016 mainly due to the repayment of bank loan and finance lease liabilities.

Trade and other receivables increased by approximately S$1.0 million to S$32.3 million as at 31 December 2016 from S$31.3 million as at 31 December 2015, mainly due to higher volume of work performed and certified towards end of FY2016 following the commencement of new projects during the last quarter FY2016. Inventory also increased by approximately S$1.9 million to S$2.1 million as at 31 December 2016 from S$0.2 million as at 31 December 2015 mainly due to purchase of hardware parts and consumables for repair and maintenance of Group's machinery, equipment and vehicles.

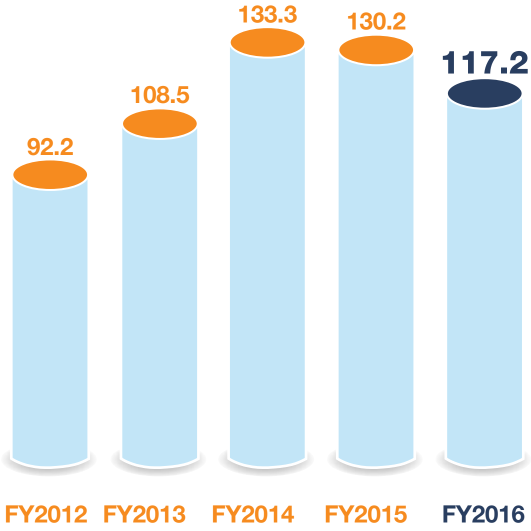
The Group's total liabilities decreased by S$10.1 million to S$127.4 million as at 31 December 2016 compared to S$137.5 million as at 31 December 2015. This was attributable largely to reduced finance lease payables of S$7.6 million resulted from repayment made in FY2016 and decreased gross amount due to contract customers of S$2.3 million from S$10.3 million as at 31 December 2015 to S$8.0 million as at 31 December 2016 mainly due to less advanced billing as at year end.

The Group posted a negative working capital of approximately S$2.5 million as at 31 December 2016 as compared to a negative working capital of approximately S$7.1 million as at 31 December 2015. The negative working capital was mainly due to the addition of non-current PPE via finance lease, part of which was captured as current finance lease payable, given that the Group is operating in a capital intensive environment.

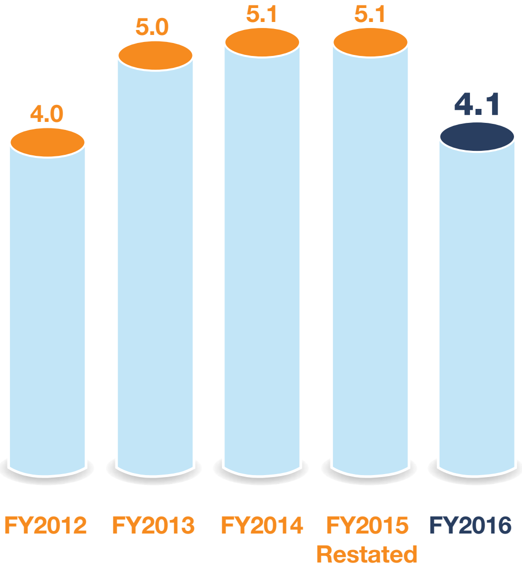
Notwithstanding the negative working capital position, the Board is of the opinion that, after having made due and careful enquiry, and after taking into account the Group's positive cash flows generated from its operating activities, together with the credit facilities available to the Group and existing cash and cash equivalents, the working capital available as at 31 December 2016 is sufficient for the Group's present requirements and for the following 12 months.

FINANCIAL HIGHLIGHTS

Revenue *(S$ Million)*



Net Profit Attributable to Owners of the Company *(S$ Million)*



BOARD OF DIRECTORS

Mr Ng Hai Liong
Executive Chairman and Executive Director

Mr Ng Hai Liong is the Executive Chairman and Executive Director of our Group. He was appointed as an Executive Director of our Company on 1 August 2014 and is currently also a Director of Huationg Contractor Pte. Ltd., Soil Engineering Pte. Ltd., Dandelion Capital Pte. Ltd., NHL Holding Pte. Ltd. and NHL Investment Pte. Ltd.. Mr Ng Hai Liong is responsible for overseeing the strategic positioning and business expansion of our Group, including making major business and financial decisions.

Mr Ng Hai Liong has more than 42 years of experience in the civil engineering construction industry and has been instrumental in the development and growth of our Group's business. Mr Ng Hai Liong was first employed with Swee Construction & Transport Co. Pte Ltd in 1970 as a site supervisor before joining Ng Keam Teng Construction Pte Ltd, a company providing civil engineering services, in 1973. He later set up a partnership in 1978 which was involved in the provision of civil engineering services such as roadworks and drainage works. In 1980, Mr Ng Hai Liong left the partnership and set up Huationg Contractor, where he was responsible for, among others, managing our Company's civil engineering projects and securing various overseas projects in China and Myanmar.

Mr Ng Kian Ann Patrick
Chief Executive Officer and Executive Director

Mr Ng Kian Ann Patrick is the Chief Executive Officer and Executive Director of our Group and was appointed as CEO and Executive Director of our Company on 1 August 2014. He currently also serves as a director of Huationg Contractor Pte. Ltd., HT Equipment Pte. Ltd., Banyan Capital Pte. Ltd., Dandelion Capital Pte. Ltd., NHL Holding Pte. Ltd. and NHL Investment Pte. Ltd..

Mr Ng Kian Ann Patrick has more than 16 years of experience in the civil engineering construction industry and has been responsible for the overall management, operations, strategic planning and business expansion of our Group since 2000. He was responsible for the expansion of our sale of construction materials business segment as he oversaw the development and marketing of LSS by our Group in 2002 and spearheaded the initiative to recycle construction waste and aggregates in 2004. Further, under Mr Ng Kian Ann Patrick's management, Huationg Contractor was awarded the BCA grading of A2 under the category CW02 for civil engineering in 2009, and was further upgraded to the BCA grading of A1 under the same category in 2016. This allowed our Group to tender for larger value contracts.

Mr Ng Kian Ann Patrick graduated from the University of London with a Bachelor's Degree in Engineering (First Class Honours) in 1999.

BOARD OF DIRECTORS

Mr Ng Kian Yeow, Vincent
Executive Director &
Chief Operating Officer

Mr Ng Kian Yeow Vincent is the Chief Operating Officer and Executive Director of our Group and was appointed as Executive Director of our Company on 11 November 2014. Mr Ng Kian Yeow, Vincent is currently also a director of Huationg Contractor Pte. Ltd., Soil Engineering Pte. Ltd., HT Equipment Pte. Ltd. and Banyan Capital Pte. Ltd..

Mr Ng Kian Yeow, Vincent has more than 15 years of experience in the civil engineering construction industry and has been responsible for the project management and overall strategic planning for project completion of our Group since 2001. Mr Ng Kian Yeow, Vincent was involved in the development and commercialisation of our Group's LSS production in 2002 and oversaw the smooth completion of various contracts, including contract C487, a major contract awarded by Daelim Industrial Co. Ltd. in 2008 for the provision of earthworks and LSS backfill services in the design, construction and completion of the Marina Coastal Expressway. He was also instrumental in our Group securing our first contract for the design and build of a bus park with LTA in 2012.

Mr Ng Kian Yeow, Vincent graduated from the Curtin University of Technology with a Bachelor's Degree in Applied Science Construction Management and Economics in 2001.

Mr Yuen Sou Wai
Lead Independent Director

Mr Yuen Sou Wai is our Lead Independent Director and was appointed to our Board on 11 November 2014. Mr Yuen currently chairs the Audit Committee and is a member of our Remuneration Committee and Nominating Committee.

He is presently the lead independent director and audit committee chairman of both Libra Group Limited and Chew's Group Limited which are listed on Catalist of the SGX-ST. Mr Yuen is also an independent director at YHI International Limited, a company listed on the Mainboard of the SGX-ST. Prior to his appointment as a non-executive director of YHI International Limited, Mr Yuen was the group chief financial officer as well as executive director responsible for YHI International Limited's operations in Australia, New Zealand, Italy, United States of America and Canada.

Mr Yuen has in total more than 38 years of broad-based financial management experience in various large local and global multinational companies. He had held several senior financial positions including chief financial officer, regional finance director and group controller in the Asia Pacific region. Mr Yuen holds a Master in Business Administration Degree from the University of Leicester, United Kingdom. He is a Fellow of the Chartered Institute of Management Accountants of the United Kingdom, a Fellow of the Institute of Singapore Chartered Accountants and a member of the Singapore Institute of Directors.

BOARD OF DIRECTORS

Mr Yen Se-Hua Stewart
Independent Director

Mr Yen Se-Hua Stewart is our Independent Director and was appointed to our Board on 11 November 2014. Mr Yen currently chairs the Remuneration Committee and is a member of our Audit Committee and Nominating Committee.

He is currently the executive chairman of SECOM (Singapore) Pte Ltd, a company which engages in the provision of security services. Mr Yen is also a director of STT Communication (Shanghai) Co., Ltd., and a non-executive director of System-bilt Pte Ltd, System-bilt (Myanmar) Ltd, Verint Systems (Singapore) Pte Ltd, D'Garde Security Pte. Ltd., ProVision Technology (Asia Pacific) Pte Ltd., Info D Pte Ltd and Shenstone Investments Pte Ltd.

Mr Yen was an independent director of Telechoice International Limited, a company listed on the Mainboard of the SGX-ST, from May 2004 to May 2015.

Mr Yen has held senior management positions in various industries such as defence marketing, construction and development, and security services. Mr Yen began his career as a systems engineer in the Ministry of Defence, Singapore, in 1973. In 1977, he was posted to the Singapore Embassy in Washington, D.C. as Second Secretary (Logistics), where he was responsible for defence procurement and liaison. Between 1979 and 1980, Mr Yen was employed at Unicorn International Pte Ltd as a manager overseeing the international marketing of Singapore-made defence systems. In 1980, he left Unicorn International Pte Ltd to join Duce International Pte Ltd as its regional sales manager. Mr Yen later formed part of the team which established CDC-Construction & Development Pte Ltd (now known as Sembawang Engineers & Constructors Pte Ltd), and was employed as the company's assistant general manager between 1982 and 1988. In 1988, Mr Yen rejoined Unicorn International Pte Ltd as its general manager for defence sales and marketing, before leaving his position in 1999 to join SECOM (Singapore) Pte Ltd as its chief executive officer and eventually its executive chairman.

Mr Yen graduated with a Bachelor's Degree in Engineering from McMaster University in 1972.

Mr Wee Heng Yi Adrian
Independent Director

Mr Wee Heng Yi, Adrian is our Independent Director and was appointed to our Board on 11 November 2014. Mr Wee currently chairs the Nominating Committee and is a member of our Audit Committee and Remuneration Committee.

Mr Wee began his career in Harry Elias Partnership LLP's civil and commercial litigation practice group in 2004. He left Harry Elias Partnership LLP in 2008 to join Characterist LLC as a director, and presently heads the criminal defence and advocacy practice group. Mr Wee's current practice areas are civil and commercial litigation and criminal defence.

Mr Wee obtained his Bachelor of Laws (Honours) from the National University of Singapore in 2003 and is admitted to the roll of solicitors in England and Wales. He is a member of the ASEAN Law Association and the Law Society of Singapore.

KEY EXECUTIVES

Ms Karen Ji Cuihua
Chief Financial Officer

Ms Karen Ji Cuihua is our Chief Financial Officer. She was appointed as Chief Financial Officer of our Group on 6 May 2016. She is responsible for the Group's regulatory compliance and financial functions including accounting, financial reporting, taxation and treasury management, mergers and acquisition, internal controls and risk management.

Ms Karen Ji has valuable prior experience in auditing, internal control and finance operations. In September 2006, Ms Karen Ji joined Deloitte & Touche LLP Singapore where she worked as a senior auditor until December 2008. From December 2008 to January 2011, Ms Karen Ji was the assistant manager of internal audit department at the Ministry of Health, Singapore. From February 2011 to September 2012, Ms Karen Ji was the group finance manager of HG Metal Manufacturing Limited, a company listed on the Mainboard of the SGX-ST. In October 2012, Ms Karen Ji joined Hengyang Petrochemical Logistics Limited, a company listed on the Catalist board of the SGX-ST, as the chief financial officer.

Ms Karen Ji graduated with a Bachelor of Science (First Class Honours) in Applied Accounting from Oxford Brookes University. She is a Fellow of the Association of Chartered Certified Accountants and a member of the Institute of Singapore Chartered Accountants.

Mr Khin Maung Tun @ Lim Ming Hwee
Project Manager

Mr Khin Maung Tun @ Lim Ming Hwee is our Project Manager. He joined our Group in 1995 and is in charge of project management, project planning and procurement of technical support for projects.

Prior to joining our Group, Mr Khin began his career as a site engineer at Koh Bian Construction Pte Ltd in 1990, where he was involved in project planning and management. Mr Khin left Koh Bian Construction Pte Ltd in 1992 and joined HN Constructor Pte Ltd, where he was also employed as a site engineer.

Mr Khin graduated from Rangoon Institute of Technology, Myanmar, with a Bachelor of Engineering (Civil) in 1986 and received a Diploma in Public Health Engineering from Rangoon Institute of Technology, Myanmar in 1988. He also has a Certificate in Pavement Construction and Maintenance from the Construction Industry Development Board, Singapore. Mr Khin is also a resident technical officer of the Institute of Engineers Singapore.

KEY EXECUTIVES

Ms Heng Yann Syin
Head of Contract Department

Ms Heng Yann Syin is the head of our contractor department. Ms Heng joined our Group in 2002 as an Assistant Quantity Surveyor before being promoted as a Contract Administrator in 2004 and then as Senior Contract Administrator in 2012. As Senior Contract Administrator, Ms Heng oversees our contract department and is in charge of project tendering and procurement of projects.

Ms Heng graduated from Ngee Ann Polytechnic, Singapore, with a Diploma in Civil and Environmental Engineering in 2002.

Ms Teo Bee Chin
Accountant

Ms Teo Bee Chin is our accountant. She joined our Group in 2012 and is responsible for all treasury matters, the monitoring of cash flow as well as timely and accurate monthly financial closings.

Prior to joining our Group, Ms Teo began her career at Practical Secretarial Services in 1992 as an accountant, where she was involved in the company's book keeping, taxation and corporate secretarial matters. Between 1995 to1997, she was employed as an accounts officer at A & I Commercial Management, where she was involved in audit and other corporate secretarial work. Ms Teo joined Vibro Holdings Pte Ltd in 1997 where she held the position of accounts executive and oversaw the company's financial and accounting matters and its compliance with financial reporting and regulatory requirements. Between 2001 to 2008, she was employed as an accounts executive at Visa Engineering Pte Ltd, where she was also responsible for the company's financial and accounting matters and its compliance with financial reporting and regulatory requirements. She was promoted to finance manager of Visa Engineering Pte Ltd in 2009.

Ms Teo completed Level 2 of the Chartered Certified Accountant qualification administered by the Association of Chartered Certified Accountants in 2011.

CORPORATE STRUCTURE

100%

Soil Engineering Pte. Ltd.
("Soil Engineering")

Supply of construction materials

100%

Huationg Contractor Pte Ltd
("Huationg Contractor")

Provision of civil engineering services and inland construction logistics support

75%

HT Equipment Pte. Ltd.
("HT Equipment")

Provision of industrial machinery and equipment rental services

100%

Banyan Capital Pte. Ltd.
("Banyan Capital")

General contractors and other investment holding company

33.3%
Joint Venture
("JV")

Golden Empire-Huationg Pte. Ltd.
("Golden Empire Huationg")

Civil engineering and mixed construction and land reclamation works

CORPORATE GOVERNANCE REPORT

DISCLOSURE TABLE FOR ANNUAL REPORT IN COMPLIANCE TO THE CODE OF CORPORATE GOVERNANCE 2012 AND CATALIST RULES

The Board of Directors (the "**Board**") of Huationg Global Limited (the "**Company**" and together with its subsidiaries, the "**Group**") are committed to maintaining high standards of corporate governance and places importance on its corporate governance processes and systems so as to ensure greater transparency, accountability and maximisation of long-term shareholder value.

This report outlines the Company's corporate governance practices that were in place during the financial year ended 2016 ("**FY2016**"), with specific reference made to the principles of the Code of Corporate Governance 2012 (the "**Code**") and the disclosure guide developed by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in January 2015 (the "**Guide**").

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
General	(a) Has the Company complied with all the principles and guidelines of the Code?	The Company has complied with the principles and guidelines as set out in the Code and the Guide, where applicable.
	If not, please state the specific deviations and alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.	Appropriate explanations have been provided in the relevant sections below where there are deviations from the Code and/or the Guide.
	(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines of the Code?	Not applicable. The Company did not adopt any alternative corporate governance practices in FY2016.
BOARD MATTERS		
The Board's Conduct of Affairs		
1.1	What is the role of the Board?	The Board has 6 Directors as follows:

Table 1.1 — Composition of the Board

Name of Director	Designation
Mr Ng Hai Liong	Executive Chairman
Mr Ng Kian Ann Patrick	Executive Director and Chief Executive Officer ("**CEO**")
Mr Ng Kian Yeow, Vincent	Executive Director and Chief Operating Officer ("**COO**")
Mr Yuen Sou Wai	Lead Independent Director
Mr Yen Se-Hua Stewart	Independent Director
Mr Wee Heng Yi, Adrian	Independent Director

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
		The Board is entrusted to lead and oversee the Company, with the fundamental principle to act in the best interests of the Company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board. The Board oversees the corporate policy and overall strategy for the Group. In addition to the aforementioned and its statutory and fiduciary duties, the Board's principle functions include: • Overseeing the overall strategic plans including considering sustainability and environmental issues as part of its strategic formulation, strategic human resources framework, and financial objectives of the Group; • Reviewing the operational and financial performance of the Group including reviewing the performance of the Management; • Approving half yearly financial results announcements, circulars and audited financial statements and annual reports; • Approving changes in the composition of the Board; • Overseeing and safeguarding shareholders' interest and Company's assets through a robust system of effective internal controls, risk management, financial reporting and compliance; • Overseeing and enhancing corporate governance and practices within the Group; • Dealing with matters such as conflict of interest issues relating to Directors and substantial shareholders, major acquisitions and disposals of material assets, dividend and other distributions to shareholders, and those transactions or matters which require Board's approval under the provisions of the SGX-ST Listing Manual Section B: Rules of Catalist ("**Catalist Rules**") issued by SGX-ST, from time to time, or any applicable regulations; • Appointing the senior management, approving the policies and guidelines for the Board and senior management executives' remuneration, in addition to approving the appointment of new Directors; and • Identifying key stakeholder groups and recognizing that their perceptions affect the Company's reputation • Setting the Company's values and standards (including ethical standards), and ensuring that obligations to Shareholders and other stakeholders are understood and met.

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company’s Compliance or Explanation</th></tr>
<tr><td>1.3</td><td>Has the Board delegated certain responsibilities to committees? If yes, please provide details.</td><td>The Board has delegated certain responsibilities to the Audit Committee (the “AC”), the Remuneration Committee (the “RC”) and the Nominating Committee (the “NC”) (collectively, the “Board Committees”). The compositions of the Board Committees are as follows:
<table>
<tr><th></th><th>AC</th><th>NC</th><th>RC</th></tr>
<tr><td>Chairman</td><td>Yuen Sou Wai</td><td>Wee Heng Yi, Adrian</td><td>Yen Se-Hua Stewart</td></tr>
<tr><td>Member</td><td>Yen Se-Hua Stewart</td><td>Yuen Sou Wai</td><td>Wee Heng Yi, Adrian</td></tr>
<tr><td>Member</td><td>Wee Heng Yi, Adrian</td><td>Yen Se-Hua Stewart</td><td>Yuen Sou Wai</td></tr>
<tr><td>Member</td><td>–</td><td>Ng Kian Ann Patrick</td><td>–</td></tr>
</table>
The AC had approved the formation of a Risk Committee in November 2015 which comprises Mr Ng Kian Ann Patrick as the Chairman and Mr Yuen Sou Wai, Mr Yen Se-Hua Stewart and Mr Wee Heng Yi, Adrian as members. The Chief Financial Officer of the Group (“CFO”) is appointed as the Chief Risk Officer (“CRO”). At each AC meeting, the CRO will present matters in relation to enterprise risk management (“ERM”) to the Risk Committee for discussion following internal ERM meetings which the CRO will hold with the sub-committee comprising key management personnel at the operational level.</td></tr>
<tr><td>1.4</td><td>Have the Board and Board Committees met in the last financial year?</td><td>The Board meets on a half yearly basis, and as and when circumstances require. In FY2016, the number of the Board and Board Committee meetings held and the attendance of each Board member are shown below:
<table>
<tr><th></th><th>Board</th><th>AC</th><th>NC</th><th>RC</th></tr>
<tr><td>Number of meetings held in FY2016</td><td>3</td><td>3</td><td>1</td><td>1</td></tr>
<tr><td>Name of Director</td><td colspan="4">Number of Meetings Attended</td></tr>
<tr><td>Mr Ng Hai Liong</td><td>3</td><td>3*</td><td>1*</td><td>1*</td></tr>
<tr><td>Mr Ng Kian Ann Patrick</td><td>3</td><td>3*</td><td>1</td><td>1*</td></tr>
<tr><td>Mr Ng Kian Yeow, Vincent</td><td>3</td><td>3*</td><td>1*</td><td>1*</td></tr>
<tr><td>Mr Yuen Sou Wai</td><td>3</td><td>3</td><td>1</td><td>1</td></tr>
<tr><td>Mr Yen Se-Hua Stewart</td><td>2</td><td>2</td><td>1</td><td>1</td></tr>
<tr><td>Mr Wee Heng Yi, Adrian</td><td>3</td><td>3</td><td>1</td><td>1</td></tr>
</table>
* <i>By invitation</i></td></tr>
</table>

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
1.5	What are the types of material transactions which require approval from the Board?	Matters that require the Board's approval include, amongst others, the following: • Corporate strategy and business plans; • Material acquisitions and disposals; • Share issuance, dividend release or changes in capital; • Changes in the composition of the Board • Budgets, circulars, financial results announcements, annual report and audited financial statements; and • Material interested person transactions.
1.6	(a) Are new Directors given formal training? If not, please explain why.	All newly appointed Directors will undergo an orientation programme where the Director would be briefed on the Group's strategic direction, governance practices, business and organisation structure as well as the expected duties of a director of a listed company. To get a better understanding of the Group's business, newly appointed Directors will be given briefings and orientation by the Executive Directors and Management to familiarise them with the businesses and operations of the Group. Upon appointment, the Director will receive a letter of appointment setting out their duties and responsibilities.
	(b) What are the types of information and training provided to (i) new Directors and (ii) existing Directors to keep them up-to-date?	Directors are encouraged to join institutes and group associations of specific interests, and attend relevant training seminars or informative talks from time to time so that they are in a better position to discharge their duties. The Company also encourages Directors to attend courses in areas of Directors' duties and responsibilities, corporate governance, changes in financial reporting standards, insider trading, changes in the Companies Act, Chapter 50 of Singapore ("**Companies Act**") and industry-related matters, to develop themselves professionally, at the Company's expense. Briefings, updates and trainings for the Directors in FY2016 included: • The ACRA-SGX-SID Audit Committee seminar, which was conducted by the Singapore Institute of Directors, was attended by one of the Company's Directors; • The Dynargetic Managers Programme, which was conducted by Dynargie Singapore, was attended by the Company's Executive Directors; • The Built Environment and Property Prospects Seminar 2016, which was conducted by the Building and Construction Authority Academy of Singapore, was attended by two of the Company's Executive Directors; • The Singapore Mediation Centre Adjudication Conference 2016, which was conducted by Singapore Mediation Centre, was attended by one of the Company's Executive Directors;

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
		• The Company circulates to Directors all Company's announcements, resolutions and Board Meeting agenda via email; • The external auditors ("**EA**") had briefed the AC on changes or amendments to accounting standards; and • The Company Secretary had briefed the Board on the amendments of the Companies Act, Chapter 50 of Singapore.
Board Composition and Guidance		
2.1 2.2 3.3	Does the Company comply with the guideline on the proportion of Independent Directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	Mr Ng Hai Liong is the Chairman of the Board and an Executive Director. Mr Ng Kian Ann Patrick is the CEO. The Chairman, Mr Ng Hai Liong, is the father to the CEO, Mr Ng Kian Ann Patrick. In view that the Chairman and the CEO are immediate family members, and that the Chairman is not an Independent Director, Guideline 2.2 of the Code is met as the Independent Directors make up half of the Board. The three non-executive and Independent Directors comprise Mr Yuen Sou Wai, Mr Yen Se-Hua Stewart and Mr Wee Heng Yi, Adrian. Mr Yuen Sou Wai has also been appointed as the Lead Independent Director of the Company and makes himself available to shareholders at the Company's general meetings.
2.3 4.3	Has the independence of the Independent Directors been reviewed in the last financial year?	The Board takes into account the existence of relationships or circumstances, including those identified by the Code, that are relevant in its determination as to whether a Director is independent. In addition, the NC reviews the individual directors' declaration in their assessment of independence. The NC has reviewed and confirmed the independence of the Independent Directors in accordance with the Code. The Independent Directors have also confirmed their independence in accordance with the Code.
	(a) Is there any Director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the Director and specify the nature of such relationship.	There are no Directors who is deemed independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent.

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
	(b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	
2.4	Has any Independent Director served on the Board for more than nine years since the date of his first appointment? If so, please identify the Director and set out the Board's reasons for considering him independent.	There are no Independent Directors who has served beyond nine years since the date of his first appointment.
2.5	What are the steps taken by the Board to progressively renew the Board composition?	The Board is of the opinion that it would be most effective to draw on the wealth of experience from the longer serving directors while concurrently taking progressive steps to review and consider opportunities to refresh the Board as and when deemed required. To meet the changing challenges in the industry and countries which the Group operates in, such reviews, which includes considering factors such as the expertise, skills and perspectives which the Board needs against the existing competencies would be done on a regular basis to ensure that the Board dynamics remain optimal.
2.6	(a) What is the Board's policy with regard to diversity in identifying director nominees?	The Board's policy in identifying director nominees is primarily to have an appropriate mix of members with complementary skills, core competencies and experience for the Group, regardless of gender.
	(b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.	The current Board composition provides a diversity of skills, experience and knowledge of the Company, to the Company as follows:

Table 2.6 – Balance and Diversity of the Board

	Number of Directors	Proportion of Board
Core Competencies		
– Accounting or finance	2	33%
– Project management	3	50%
– Legal or corporate governance	2	33%
– Engineering	3	50%
– Strategic planning experience	6	100%
– Customer based experience or knowledge	5	83%

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
	(c) What steps have the Board taken to achieve the balance and diversity necessary to maximise its effectiveness?	The Board has taken the following steps to maintain or enhance its balance and diversity: • Annual review by the NC to assess if the existing attributes and core competencies of the Board are complementary and enhance the efficacy of the Board; and • Annual evaluation by the Directors of the skill sets the other Directors possess, with a view to understanding the range of expertise and diversity which is lacking by the Board. The NC will consider the results of these exercises in its recommendation for the appointment of new directors and/or the re-appointment of incumbent Directors.
2.8	Have the Non-Executive Directors met in the absence of key management personnel in the last financial year?	The Non-Executive Directors have met once in the absence of key management personnel in FY2016.
Chairman and Chief Executive Officer		
3.1	Are the duties between Chairman and CEO segregated?	The roles of the Chairman and CEO in the Company are separate. Mr Ng Hai Liong is the Chairman of the Board and is an Executive Director. Mr Ng Kian Ann Patrick is the CEO. The CEO has the executive responsibility for the day-to-day operations of the Group whilst the Chairman provides overall leadership to the Board. The Chairman, with the help of the Company Secretary, ensures that Board meetings are held as and when necessary and sets the meeting agenda in consultation with the CEO and fellow Directors and other executives, and if warranted, with professional advisors. The Chairman also ensures the quality, quantity and timeliness of the flow of information between the Management, the Board and shareholders. He assumes the lead role in promoting high standards of corporate governance processes as well as the culture of openness and debate at Board meetings. He also encourages constructive relationship within the Board and between the Board and Management while facilitating the effective contributions of Non-Executive Directors and Independent Directors during the Board meetings, as well as effective communication with shareholders, Notwithstanding the Chairman and CEO are father and son, the Board is satisfied that there is sufficient transparency and accountability in view of the distinction of responsibilities and the strong independent element on the Board.

CORPORATE GOVERNANCE REPORT

Guideline	**Code and/or Guide Description**	**Company's Compliance or Explanation**
3.4	Have the Independent Directors met in the absence of other directors?	The Independent Directors have met once in the absence of other directors in FY2016.
Board Membership		
4.1	What are the duties of the NC?	The NC is guided by key terms of reference as follows: (a) Reviewing and approving any new employment of related persons and the proposed terms of their employment; (b) Nominating and re-nominating of Directors for re-election in accordance with the Constitution of the Company at each annual general meeting and having regard to the Director's contribution and performance; (c) Determining annually, and as and when required, whether or not a Director of the Company is independent; (d) Deciding whether or not a Director of the Company is able to and has been adequately carrying out his duties as a Director, considering issues including the Director's competencies, commitment, contribution and performance; (e) Deciding how our Board's performance may be evaluated and propose objective performance criteria, as approved by our Board that allows comparison with its industry peers, and address how our Board has enhanced long-term Shareholders' value; (f) Recommending and reviewing board succession plans for Directors, in particular, for the Chairman and for the CEO; and (g) Recommending training and professional development programs for the Board.
4.4	(a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number?	The Board has not capped the maximum number of listed company board representations each Director may hold.
	(b) If a maximum has not been determined, what are the reasons?	In FY2016, the Board did not set a maximum number of directorships given that all Independent Directors were able to dedicate their time to the business of the Company and that the multiple board representations held by Directors of the Company did not impede their performance in carrying out their duties to the Company. Nevertheless, if the NC finds that time commitment is lacking from any particular director, the NC may consider imposing a cap in future.

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company’s Compliance or Explanation</th></tr>
<tr><td></td><td>(c) What are the specific considerations in deciding on the capacity of directors?</td><td>The considerations in assessing the capacity of Directors include the following:
• Expected and/or competing time commitments of Directors;
• Geographical location of Directors;
• Size and composition of the Board; and
• Nature and scope of the Group’s operations and size.
The measures and evaluation tools in place to assess the performance and consider competing time commitments of the Directors include the following:
• Declarations by individual Directors of their other listed company board directorships and principal commitments; and
• Annual confirmations by each Director on his/her ability to devote sufficient time and attention to the Company’s affairs, having regard to his other commitments.</td></tr>
<tr><td></td><td>(d) Have the Directors adequately discharged their duties?</td><td>The NC has reviewed the time spent and attention given by each of the Directors to the Company’s affairs, and is satisfied that all Directors have discharged their duties adequately for FY2016.</td></tr>
<tr><td>4.5</td><td>Are there alternate Directors?</td><td>The Company does not have any alternate directors.</td></tr>
<tr><td>4.6</td><td>Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.</td><td><i>Table 4.6(a) — Process for the Selection and Appointment of New Directors</i>
<table>
<tr><td>1.</td><td>Determination of selection criteria</td><td>• The NC takes into consideration the background, qualifications, experience and knowledge that the candidate brings and which could benefit the Board, taking into account the current needs of the Board in terms of skills, experience, gender and knowledge to complement and strengthen the Board and increase its diversity.</td></tr>
<tr><td>2.</td><td>Search for suitable candidates</td><td>• The NC would consider candidates proposed by the Directors, key management personnel or substantial shareholders, and may engage external search consultants where necessary.</td></tr>
<tr><td>3.</td><td>Assessment of shortlisted candidates</td><td>• The NC would meet and interview the shortlisted candidates to assess their suitability.</td></tr>
<tr><td>4.</td><td>Appointment of director</td><td>• The NC would recommend the selected candidate to the Board for consideration and approval.</td></tr>
</table></td></tr>
</table>

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
		Table 4.6(b) — Process for the Re-electing Incumbent Directors <table><tr><td>1.</td><td>Assessment of director</td><td>• The NC would assess the performance of the Director in accordance with the performance criteria set by the Board; and • The NC would also consider the current needs of the Board.</td></tr><tr><td>2.</td><td>Re-appointment of director</td><td>• Subject to the NC's satisfactory assessment of their overall contributions and performance, the NC would recommend the proposed re-appointment of the Director to the Board for its consideration and approval.</td></tr></table> At each Annual General Meeting ("**AGM**") of the Company, the Constitution of the Company requires one-third of the Directors (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation, being one third of those who have been longest in office since their last re-election. The retiring Directors submit themselves for re-nomination and re-election. Newly appointed Directors are required to submit themselves for re-election. The NC (with any member of the NC who is interested in the discussion having abstained from the deliberations) has recommended to the Board that Mr Ng Hai Liong and Mr Wee Heng Yi, Adrian be nominated for re-election at the forthcoming AGM. Mr Ng Hai Liong will upon re-appointment as a Director of the Company, remain as the Chairman of the Board and an Executive Director of the Group. Mr Wee Heng Yi, Adrian will upon re-appointment as a Director of the Company, remain an Independent Director, Chairman of the NC and a member of the AC and the RC. The Board considers Mr Wee Heng Yi, Adrian independent for the purposes of Rule 704(7) of the Catalist Rules.

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
4.7	Please provide Directors' key information.	The key information of the Directors, including their appointment dates and directorships held in the past 3 years, are set out as follows:

Director	Current Directorships in listed companies (other than the Company)	Past Directorships in listed companies (preceding three years)	Date of initial appointment	Date of last re-election	Other principal commitments
Ng Hai Liong	Nil	Nil	1 August 2014	29 April 2015	–
Ng Kian Ann Patrick	Nil	Nil	1 August 2014	28 April 2016	–
Ng Kian Yeow, Vincent	Nil	Nil	11 November 2014	29 April 2015	–
Yuen Sou Wai	1. Chew's Group Limited 2. Libra Group Limited 3. YHI International Limited	Nil	11 November 2014	28 April 2016	Current board representations on listed companies
Yen Se-Hua Stewart	Nil	Telechoice International Limited	11 November 2014	29 April 2015	Executive Chairman of SECOM (Singapore) Pte Ltd
Wee Heng Yi, Adrian	Nil	Nil	11 November 2014	29 April 2015	Director of Characterist LLC

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company’s Compliance or Explanation</th></tr>
<tr><td colspan="3"><u>Board Performance</u></td></tr>
<tr><td>5.1
5.2
5.3</td><td>What is the performance criteria set to evaluate the effectiveness of the Board as a whole and its board committees, and for assessing the contribution by each Director to the effectiveness of the Board?</td><td>
<p>Table 5 sets out the performance criteria, as recommended by the NC and approved by the Board, to be relied upon to evaluate the effectiveness of the Board as a whole and its Board Committees, and for assessing the contribution by each Director to the effectiveness of the Board:</p>
<p><i>Table 5</i></p>
<table>
<tr><th>Performance Criteria</th><th>Board and Board Committees</th><th>Individual Directors</th></tr>
<tr><td>Qualitative</td><td>1. Size and composition
2. Access to information
3. Board processes
4. Strategic planning
5. Board accountability
6. Risk management</td><td>1. Commitment of time
2. Knowledge and abilities
3. Teamwork
4. Contribution and performance at Board and Board Committee meetings
5. Independence (if applicable)
6. Overall effectiveness</td></tr>
<tr><td>Quantitative</td><td>1. Performance of the Company’s share price over a one-year period vis-à-vis the Singapore Straits Time Index and a benchmark of the Company’s industry peers
2. Return on equity
3. Earnings per share</td><td>1. Attendance at Board and Board Committee meetings</td></tr>
</table>
<p>The NC would review the criteria on a periodic basis to ensure that the criteria is able to provide an accurate and effective performance assessment taking into consideration industry standards and the economic climate with the objective to enhance long term shareholders value, thereafter propose amendments if any, to the Board for approval.</p>
<p>The NC did not propose any changes to the performance criteria for FY2016 as compared to the previous financial year as the economic climate, Board composition and the Group’s principal business activities remained relatively the same since FY2015.</p>
</td></tr>
</table>

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company’s Compliance or Explanation</th></tr>
<tr><td rowspan="2"></td><td>(a) What was the process upon which the Board reached the conclusion on its performance for the financial year?</td><td>The review of the performance of the Board is conducted by the NC annually. The review of the performance of each Director is also conducted at least annually and when the individual Director is due for re-election.
For FY2016, the review process was as follows:
1. All Directors collectively as a whole completed a board evaluation questionnaire on the effectiveness of the Board and the Board Committees and individual Directors based on criteria disclosed in Table 5 above;
2. The questionnaire results were presented to the NC Chairman; and
3. The NC discussed the report and concluded the performance results during the NC meeting.
All NC members have abstained from the voting or review process of any matters in connection with the assessment of his performance.
No external facilitator was used in the evaluation process.</td></tr>
<tr><td>(b) Has the Board met its performance objectives?</td><td>Yes, the Board has met its performance objectives.</td></tr>
<tr><td colspan="3"><u>Access to Information</u></td></tr>
<tr><td>6.1
10.3</td><td>What types of information does the Company provide to Independent Directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?</td><td><i>Table 6 — Types of information provided by key management personnel to Independent Directors</i>
<table>
<tr><th></th><th>Information</th><th>Frequency</th></tr>
<tr><td>1.</td><td>Board papers (with background or explanatory information relating to the matters brought before the Board, where necessary)</td><td>Every meeting</td></tr>
<tr><td>2.</td><td>Updates to the Group’s operations and the markets in which the Group operates in</td><td>Every meeting</td></tr>
<tr><td>3.</td><td>Budgets and/or forecasts (with variance analysis) and EA’ report(s)</td><td>Annually</td></tr>
<tr><td>4.</td><td>Reports on on-going or planned corporate actions</td><td>Every meeting</td></tr>
<tr><td>5.</td><td>Enterprise risk framework and internal auditors’ (“IA”) report(s)</td><td>Half-yearly</td></tr>
<tr><td>6.</td><td>Research report(s)</td><td>As required</td></tr>
<tr><td>7.</td><td>Shareholding statistics</td><td>Annually</td></tr>
<tr><td>8.</td><td>Management accounts and such related explanation and information</td><td>Half-yearly</td></tr>
</table></td></tr>
</table>

Guideline	**Code and/or Guide Description**	**Company's Compliance or Explanation**
		Key management personnel will also provide any additional material or information that is requested by Directors or that is necessary to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects. The Directors are able to, either individually or as a group, obtain independent professional advice in furtherance of their duties at the Company's expense.
6.3	What is the role of the Company Secretary?	The role of the Company Secretary, the appointment and removal of whom is a matter for the Board as a whole, is as follows: • Ensuring that Board procedures are observed and that the Company's Constitution, relevant rules and regulations, including requirements of the Securities and Futures Act (Chapter 289) of Singapore, the Companies Act (Chapter 50) of Singapore and the Catalist Rules , are complied with; • Assists the Chairman and the Board to implement and strengthen corporate governance practices, with a view to enhancing long-term shareholder value; • Assists the Chairman to ensure good information flows within the Board and its committees and key management personnel. In facilitation of this, all Board members are given the names and contact details of the Company's senior management and the Company Secretary to facilitate direct, separate and independent access; • Training, designing and implementing a framework for key management personnel's compliance with the Catalist Rules, including timely disclosure of material information; • Attends and prepares minutes for all Board meetings; • As secretary to all the other Board Committees, the Company Secretary assists to ensure coordination and liaison between the Board, the Board Committees and key management personnel; and • Assists the Chairman, the Chairman of each Board Committee and key management personnel in the development of the agendas for the various Board and Board Committee meetings.

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
REMUNERATION MATTERS		
Developing Remuneration Policies		
7.1	What is the role of the RC?	The RC is guided by key terms of reference as follows: (a) Review and recommend to the Board a general framework of remuneration and specific remuneration packages for each Executive Director and key management personnel; (b) Review and approve the quantum of the bonus of the Executive Directors and CEO; (c) Review and submit its recommendations for endorsement by the Board, share-based incentives or awards or any long term incentive schemes such as the Huationg Employee Share Option Scheme ("**ESOS**") and the Huationg Performance Share Plan (**"PSP**"), in particular to review whether Directors and key management personnel should be eligible for such schemes and also to evaluate the costs and benefits of such schemes and to do all acts necessary in connection therewith; (d) To function as the committee referred to in the ESOS and PSP and have all powers as set out in the ESOS and PSP; (e) Review and recommend to the Board the service contracts of Executive Directors and key management personnel and ensure that such services contracts are fair and not excessively long or with onerous renewal/termination clauses; and (f) Review and recommend to the Board all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, remuneration of senior management and employees related to the Directors (if any), options and benefits-in-kind.
7.3	Were remuneration consultants engaged in the last financial year?	No remuneration consultants were engaged by the Company in FY2016.
8.4	Are "claw-back" provisions provided for in the service agreements of Executive Directors and key management personnel?	The Company currently does not have any contractual provisions which allow it to reclaim incentives from the Executive Directors and key management personnel in certain circumstances. The Board is of the view that as the Group pays performance bonuses based on the actual performance of the Group and/or Company (and not on forward-looking results) as well as the actual performance of its Executive Directors and key management personnel, "claw-back" provisions in the service agreements may not be relevant or appropriate.
Disclosure on Remuneration		
9	What is the Company's remuneration policy?	The Company's remuneration policy is one that seeks to attract, retain and motivate talent to achieve the Company's business vision and create sustainable value for its stakeholders. The policy articulates to staff the link that total compensation has to the achievement of organisational and individual performance objectives, and benchmarked against relevant and comparative compensation in the market.

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company’s Compliance or Explanation</th></tr>
<tr>
<td>9.1
9.2</td>
<td>Has the Company disclosed each Director’s and the CEO’s remuneration as well as a breakdown (in percentage or dollar terms) into base/ fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?</td>
<td>
<p>The breakdown for the remuneration of the Directors for FY2016 is as follows (No director or any of his associates has been involved in deciding his own remuneration):</p>
<p><i>Table 9 — Directors’ Remuneration</i></p>
<table>
<tr><th>Name of Director/ Remuneration Band</th><th>Salary and allowance* (%)</th><th>Annual Wage Supplement (“AWS”) (%)</th><th>Performance Bonus (%)</th><th>Directors Fees (%)</th><th>Total</th></tr>
<tr><td><i>S$500,000 to S$750,000</i></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Ng Kian Ann Patrick</td><td>85.8</td><td>6.4</td><td>7.8</td><td>–</td><td>100.0</td></tr>
<tr><td>Ng Kian Yeow, Vincent</td><td>86.0</td><td>6.3</td><td>7.7</td><td>–</td><td>100.0</td></tr>
<tr><td><i>S$250,000 to S$500,000</i></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Ng Hai Liong</td><td>86.8</td><td>6.4</td><td>6.8</td><td>–</td><td>100.0</td></tr>
<tr><td><i>S$250,000 and below</i></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Yuen Sou Wai</td><td>–</td><td>–</td><td>–</td><td>100.0</td><td>100.0</td></tr>
<tr><td>Yen Se-Hua Stewart</td><td>–</td><td>–</td><td>–</td><td>100.0</td><td>100.0</td></tr>
<tr><td>Wee Heng Yi, Adrian</td><td>–</td><td>–</td><td>–</td><td>100.0</td><td>100.0</td></tr>
</table>
<p>* These amounts are inclusive of employer’s CPF contribution and transport allowances.</p>
<p>After reviewing the industry practice and analyzing the advantages and disadvantages in relation to the disclosure of remuneration of each Director and key management personnel, the Company is of the view that such disclosure would be prejudicial to its business interest given the highly competitive environment.</p>
<p>There are no termination, retirement, post-employment benefits that may be granted to Directors, the CEO and key management personnel.</p>
</td>
</tr>
</table>

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td rowspan="2">9.3</td><td>(a) Has the Company disclosed each key management personnel's remuneration, in bands of S$250,000 or more in detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/ bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?</td><td>The breakdown for the remuneration of the Company's key management personnel (who are not Directors or the CEO) for FY2016 is as follows:

<i>Table 9.3 — Remuneration of Key Management Personnel</i>
<table>
<tr><th>Name of key executives/ remuneration[#]</th><th>Designation</th><th>Salary and allowance[*] (%)</th><th>AWS/ Bonus (%)</th><th>Total (%)</th></tr>
<tr><td><i>S$250,000 and below</i></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Karen Ji Cui Hua</td><td>CFO</td><td>85.4</td><td>14.6</td><td>100.0</td></tr>
<tr><td>Khin Maung Tun @ Lim Ming Hwee</td><td>Project Manager</td><td>91.9</td><td>8.1</td><td>100.0</td></tr>
<tr><td>Heng Yann Syin</td><td>Senior Contract Administrator</td><td>81.3</td><td>18.7</td><td>100.0</td></tr>
<tr><td>Teo Bee Chin</td><td>Accountant</td><td>87.9</td><td>12.1</td><td>100.0</td></tr>
<tr><td>Goh Tuck Peng#</td><td>Financial Controller</td><td>94.2</td><td>5.8</td><td>100.0</td></tr>
</table>

[*] These amounts are inclusive of employer's CPF contribution, transport allowances and unutilised leave encashment.

[#] During FY2016, with the exclusion of Mr Goh Tuck Peng, who ceased to be the Financial Controller of the Group from 6 May 2016, there were four key management personnel.

Given the highly competitive conditions of the Group's industry, and the prevalent poaching of experienced executives, the Company believes that the disclosure of the total remuneration of each individual key management personnel as recommended by the Code may not be in the best interest of the Group. Nevertheless, the Company has sought to provide the remuneration of these executives in the bands of S$250,000 and also a breakdown in percentage terms.</td></tr>
<tr><td>(b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not Directors or the CEO).</td><td>The total remuneration paid to the top 4 key management personnel (who are not also Directors or the CEO) and Mr Goh Tuck Peng for FY2016 was S$604,000.</td></tr>
</table>

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
9.4	Is there any employee who is an immediate family member of a Director or the CEO, and whose remuneration exceeds S$50,000 during the last financial year? If so, please identify the employee and specify the relationship with the relevant Director or the CEO.	Ms Lee Swee Chu is the spouse of Mr Ng Hai Liong and mother to Mr Ng Kian Ann Patrick and Mr Ng Kian Yeow, Vincent. The remuneration of Ms Lee Swee Chu is between S$100,000 to S$150,000 in FY2016. Mr Ng Kian Haw Douglas is the son of Mr Ng Hai Liong and brother of Mr Ng Kian Ann Patrick and Mr Ng Kian Yeow Vincent. The remuneration of Mr Ng Kian Haw Douglas is between S$50,000 to S$100,000 in FY2016.
9.5	Please provide details of the employee share scheme(s).	The Company has in place the Huationg PSP and the Huationg ESOS (collectively, the "**Share-Based Incentive Plans**"). The Share-Based Incentive Plans are administered by the NC and the RC (the "**Administration Committee**"). The primary objective of establishing the Share-Based Incentive Plans is to recognise and reward the Directors and employees for their valuable contributions to the growth and success of the Group as well as to retain employees whose services are vital to the success and greater growth of the Group. Under the ESOS, the total number of shares over which the Administration Committee may grant options on any date, when added to the number of shares issued and issuable in respect of (a) all options granted under the ESOS; (b) all awards granted under the Share Plan; and (c) any other share option schemes of the Company, shall not exceed 15% of the number of issued shares (including treasury shares) on the day immediately preceding the date of the relevant grant. Options under the ESOS may be granted with the exercise price set at market price or with the exercise price set at a discount to market price. The former shall only be exercisable after the first anniversary of the date of grant and expire on the fifth anniversary of such date of grant, while the latter shall only be exercisable after the second anniversary of the date of grant and expire on the fifth anniversary of such date of grant. The PSP is designed to reward its participants through the issue of fully-paid shares according to the extent to which they complete certain time-based service conditions or achieve their performance targets over set performance periods. No minimum vesting periods are prescribed under the PSP for awards, and the length of the vesting period in respect of each award shall be determined on a case-by-case basis. The size of the Award granted to a participant will be determined based on, amongst others, his rank, job performance, potential for future development and his contribution to the success and development of the Group as determined by the Administration Committee prior to the date of grant. The performance period here is a forward-looking period for which performance conditions and targets are set and measured over the performance period. The final Award is determined by the performance achievement over the performance

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td></td><td></td><td>period. Awards may comprise fully paid shares, cash or a combination of fully paid shares and cash. The performance period, vesting period and other conditions will be determined by the Administration Committee.

There were no share awards or share options granted to any participant under any of the Share-Based Incentive Plans in FY2016.</td></tr>
<tr><td>9.6</td><td>(a) Please describe how the remuneration received by Executive Directors and key management personnel has been determined by the performance criteria.</td><td>The remuneration received by key management personnel is made up of fixed compensation consisting of an annual base salary and allowance. Included in the remuneration was also bonus to key management personnel for FY2016.

The remuneration received by each of the Executive Directors, Mr Ng Hai Liong, Mr Ng Kian Ann Patrick and Mr Ng Kian Yeow, Vincent takes into consideration his individual performance and contribution towards the overall performance of the Group in FY2016. The remuneration of the Executive Directors is made up of fixed and variable compensations. The fixed compensation consists of an annual base salary, allowance and annual wage supplement. The variable compensation is a performance bonus determined based on (the "Performance Bonus") the Group's profit before income tax ("PBT") for each financial year. For this purpose, "PBT" refers to the audited consolidated profit before income tax of the Group (before the Incentive Bonus, non-recurring exceptional items and minority interests) for the relevant financial year. The amount of Performance Bonus is determined as follows:

<table>
<tr><th>PBT</th><th>Mr Ng Hai Liong (Executive Chairman)</th><th>Mr Ng Kian Ann Patrick (CEO)</th><th>Mr Ng Kian Yeow, Vincent (COO)</th></tr>
<tr><td>Less than S$4.0 million</td><td>Nil</td><td>Nil</td><td>Nil</td></tr>
<tr><td>Exceeds S$4.0 million but does not exceed or equal to S$6.0 million</td><td>2.0% of the amount in excess of S$4.0 million</td><td>3.5% of the amount in excess of S$4.0 million</td><td>3.2% of the amount in excess of S$4.0 million</td></tr>
<tr><td>Exceeds S$6.0 million but does not exceed or equal to S$8.0 million</td><td>S$40,000 and 2.5% of the amount in excess of S$6.0 million</td><td>S$70,000 and 4.0% of the amount in excess of S$6.0 million</td><td>S$64,000 and 3.7% of the amount in excess of S$6.0 million</td></tr>
<tr><td>Exceeds S$8.0 million</td><td>S$90,000 and 3.0% of the amount in excess of S$8.0 million</td><td>S$150,000 and 4.5% of the amount in excess of S$8.0 million</td><td>S$138,000 and 4.2% of the amount in excess of S$8.0 million</td></tr>
</table>
</td></tr>
</table>

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td></td><td>(b) What were the performance conditions used to determine their entitlement under the short term and long term incentive schemes?</td><td>The following performance conditions were chosen for the Group to remain competitive and to motivate the Executive Directors and key management personnel to work in alignment with the goals of all stakeholders:

<i>Table 9.6(b)</i>
<table>
<tr><th>Performance Conditions</th><th>Short-term Incentives
(such as performance bonus)</th><th>Long-term Incentives
(such as the Employee Share Option Scheme and the Performance Share Plan)</th></tr>
<tr><td>Qualitative</td><td>1. Leadership
2. People development
3. Commitment
4. Teamwork
5. Current market and industry practices
6. Macro-economic factors</td><td>1. Group's major project or developments
2. Current market and industry practices</td></tr>
<tr><td>Quantitative</td><td>1. PBT of at least S$4 million</td><td></td></tr>
</table></td></tr>
<tr><td></td><td>(c) Were all of these performance conditions met? If not, what were the reasons?</td><td>Yes, the RC has reviewed and is satisfied that the performance conditions were met in FY2016.</td></tr>
<tr><td colspan="3">ACCOUNTABILITY AND AUDIT</td></tr>
<tr><td colspan="3">Risk Management and Internal Controls</td></tr>
<tr><td>11.3</td><td>(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems.</td><td>The Board is of the view that the Company's internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective for FY2016. The bases for the Board's view are as follows:

1. Assurance has been received from the CEO and CFO (refer to Section 11.3(b) below);

2. An internal audit has been done by the internal auditor (whom has unfettered access to all the Company's documents, records, properties and personnel) and significant matters highlighted to the AC and key management personnel were appropriately addressed;

3. Key management personnel regularly evaluates, monitors and reports to the AC and the Board on material risks;</td></tr>
</table>

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
		4. The AC, on behalf of the Board, reviews the Group's system of internal controls, including financial, operational, compliance controls and information technology and risk management policies and systems established by Management; 5. Discussions were held between the AC and auditors in the absence of the key management personnel to review and address any potential concerns; and 6. An enterprise risk management framework was established to identify, manage and mitigate significant risks.
	(b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the IA that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?	Yes, the Board has obtained such assurance from the CEO and CFO in respect of FY2016. The Board has further relied on the independent auditors' report as set out in this Annual Report as assurance that the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances.
Audit Committee		
12.1 12.4	What is the composition of and role of the AC?	The duties and functions of the AC include the following: (a) Assist the Board in the discharge of its responsibilities on financial and reporting matters; (b) Review, with the IA and EA, the audit plans, scope of work, their evaluation of the system of internal accounting controls, their management letter and the management's response, and results of audits compiled by the IA and EA; (c) Review the half-yearly and annual financial statements and results announcements before submission to the Board for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with financial reporting standards as well as compliance with the Catalist Rules and any other statutory/regulatory requirements;

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
		(d) Review the effectiveness and adequacy of the internal control and procedures, including accounting and financial controls and procedures and ensure coordination between the IA and EA, and the management, reviewing the assistance given by management to the independent auditors, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the independent auditors may wish to discuss (in the absence of management where necessary); (e) Review the scope and results of the external audit, and the independence and objectivity of the EA; (f) Review and discuss with the EA any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the management's response; (g) Make recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the EA, and approving the remuneration and terms of engagement of the EA; (h) Review significant financial reporting issues and judgments with the CFO and the EA so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance before their submission to the Board; (i) To review and report to the Board at least annually the adequacy and effectiveness of the Group's material internal controls with the CFO and the IA and EA, including financial, operation, compliance and information technology controls via reviews carried out by the IA; (j) Review and approve transactions falling within the scope of Chapter 9 and Chapter 10 of the Rules of Catalist (if any); (k) Review any potential conflicts of interest; (l) Review and approve all hedging policies and instruments (if any) to be implemented by the Group; (m) Undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of AC; (n) Review and establish procedures for receipt, retention and treatment of complaints received by the Group, amongst others, criminal offences involving the Group or its employees, questionable accounting, auditing, business, safety or other matters that impact negatively on the Group; and (o) Generally to undertake such other functions and duties as may be required by statute or the Rules of Catalist, and by such amendments made thereto from time to time.

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td>12.5</td><td>Has the AC met with the auditors in the absence of key management personnel?</td><td>Yes, the AC has met with the IA and EA once in the absence of key management personnel in FY2016.</td></tr>
<tr><td rowspan="3">12.6</td><td>Has the AC reviewed the independence of the external auditors?</td><td>The AC has reviewed the non-audit services provided by the EA and is satisfied that the nature and extent of such services would not prejudice the independence of the EA, and has recommended the re-appointment of the EA at the forthcoming AGM.</td></tr>
<tr><td>(a) Please provide a breakdown of the fees paid in total to the EA for audit and non-audit services for the financial year.</td><td><i>Table 12.6(a) — Fees Paid/Payable to the EA for FY2016</i>
<table>
<tr><th></th><th>S$</th><th>% of total</th></tr>
<tr><td>Audit fees</td><td>79,000</td><td>86</td></tr>
<tr><td>Non-audit fees (Tax services)</td><td>13,000</td><td>14</td></tr>
<tr><td>Total</td><td>92,000</td><td>100</td></tr>
</table></td></tr>
<tr><td>(b) If the EA have supplied a substantial volume of non-audit services to the Company, please state the bases for the AC's view on the independence of the EA.</td><td>The non-audit services rendered during FY2016 were not substantial.</td></tr>
<tr><td>12.7</td><td>Does the Company have a whistle-blowing policy?</td><td>The Company has a whistle-blowing policy whereby staff of the Group may, in confidence, raise concerns about possible irregularities in matters of financial reporting or other matters. The policy defines the processes clearly to ensure independent investigation of such matters and permits whistle blowers to report directly via email to any of the whistle-blowing committee members. In the event that the whistle-blowing matter to be raised concerns any particular member of the whistle-blowing committee, the whistle blower can direct the email to any other member of the whistle-blowing committee who has no conflict of interest. The whistle-blowing committee comprises of all the current Directors of the Company. The whistle-blowing committee will direct an independent investigation to be conducted on the complaint when received in writing, via email or in person. The AC has power to conduct or authorise investigations into any matter within the AC's scope of responsibility. Findings from any investigations shall be reported to the AC for their further actions.

There were no whistle-blowing reports received by the whistle-blowing committee in FY2016.</td></tr>
<tr><td>12.8</td><td>What are the AC's activities or the measures it has taken to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements?</td><td>In FY2016, the AC was provided with information such as updates on the changes to the Singapore's Financial Reporting Standards, as and when there are material updates to the financial reporting standards when the AC meets with the EA during AC meetings and the AC members were encouraged to attend external courses conducted by relevant professional institutes as and when deemed necessary or upon request.</td></tr>
</table>

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
12.9	(a) Were any of the members of the AC previous partners or directors of the existing auditing firm or auditing corporation within the previous 12 months?	None of the AC members were previous partners or directors of the existing auditing firm or auditing corporation of the Company within the previous 12 months.
	(b) Does any member of the AC have any financial interest in the auditing firm or auditing corporation?	None of the AC members have any financial interest in the auditing firm or auditing corporation of the Company.
Internal Audit		
13.1 13.2 13.3 13.4 13.5	Please provide details of the Company's internal audit function, if any.	The Company's internal audit function is outsourced to Nexia TS Risk Advisory Pte. Ltd. that reports directly to the AC. The AC is responsible for the hiring, removal and evaluation of the accounting or auditing firm or corporation which the internal audit function of the Company is outsourced to. The AC reviews and approves the internal audit plan to ensure the adequacy of the scope of audit. The AC is satisfied that Nexia TS Risk Advisory Pte. Ltd. is adequately qualified (given, *inter alia*, its adherence to standards set by internationally recognised professional bodies including Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors) and resourced, and has the appropriate standing in the Company to discharge its duties effectively. The IA has unfettered access to all the company's documents, records, properties and personnel, including access to the AC.
SHAREHOLDER RIGHTS AND RESPONSIBILITIES		
Shareholder Rights		
14.2	Are shareholders informed of the rules, including voting procedures that govern general meetings of shareholders?	Shareholders are entitled to attend the general meetings of shareholders and are afforded the opportunity to participate effectively in and vote at general meetings of shareholders. An independent polling agent is appointed by the Company for general meetings who will explain the rules, including the voting procedures that govern the general meetings of shareholders.
14.3	Are corporations which provide nominee or custodial services allowed to appoint more than two proxies?	The Company's Constitution allows a shareholder to appoint up to two proxies to attend and vote in the shareholder's place at the general meetings of shareholders. Pursuant to the introduction of the multiple proxies regime under the Singapore Companies (Amendment) Act 2014, indirect investors who hold the Company's shares through a nominee company or custodian bank or through a Central Provident Fund agent bank may appoint more than two proxies to attend and vote at general meetings.

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
Communication with Shareholders		
15.2 15.3 15.4	(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?	The Company solicits feedback from and addresses the concerns of shareholders via the following: • A dedicated investor relations page on the Group's website; • Its in-house corporate communications/investor relations team; • Investor/analyst briefings; • Investor roadshows; and • Annual general meetings.
	(b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?	
	(c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	Apart from the SGXNET announcements and its annual report, the Company updates shareholders on its corporate developments through its corporate website at www.huationg-global.com.
15.5	Does the Company have a dividend policy?	The Company does not have a fixed dividend policy at present. The declaration and payment of dividends by the Group is subject to many factors, including but not limited to, the level of the Group's cash and retained earnings, the Group's actual and projected performance, the projected levels of capital requirements and general financing conditions and restrictions on payment of dividends imposed on the Group by the financing arrangement (if any).
	Is the Company is paying dividends for the financial year? If not, please explain why.	The Board has proposed a final tax-exempt dividend of S$0.004 per ordinary share for FY2016 which will be subject to shareholders' approval at the forthcoming AGM.

Guideline	**Code and/or Guide Description**	**Company's Compliance or Explanation**
CONDUCT OF SHAREHOLDER MEETINGS		
16.1 16.3 16.4 16.5	How are the general meetings of shareholders conducted?	A shareholder may vote in person or appoint not more than two proxies to attend and vote in his stead. In the case of a shareholder who is a relevant intermediary (as defined in the Companies Act), he may appoint more than two proxies but each proxy must be appointed to exercise the rights attached to a different share or shares held by such shareholder. Pursuant to Regulation 77(3)(c) of the Constitution of the Company, Members who are unable to vote in person at any general meeting may, at the discretion of the Directors, have the option of voting in absentia, including but not limited to voting by mail, electronic mail, or facsimile. The Company requires all Directors (including the respective chairman of the Board Committees) to be present at all general meetings of shareholders, unless of exigencies. The EA is also required to be present to address shareholders' queries about the conduct of audit and the preparation and content of the independent auditor's report. At the general meeting of the Company, shareholders are informed of the rules, including voting procedures before all resolutions are put to vote by poll, and their detailed results of the number of votes for and against each resolution and their respective percentages will be announced via SGXNET after the conclusion of the general meeting. All minutes of general meetings will made available to shareholders upon their request.

COMPLIANCE WITH APPLICABLE CATALIST RULES		
Catalist Rule	**Rule Description**	**Company's Compliance or Explanation**
712, 715 or 716	Appointment of Auditors	The Company confirms its compliance with Catalist Rules 712 and 715.
1204(8)	Material Contracts	Save for as disclosed in Note 28 of the notes to the financial statements, there were no material contracts entered into by the Group involving the interest of the CEO, any Director, or controlling shareholder, which are either still subsisting at the end of FY2016 or if not then subsisting, entered into since the end of the previous financial year.
1204(10)	Confirmation of adequacy of internal controls	The Board and the AC are of the opinion that the internal controls are adequate to address the financial, operational, compliance and information technology risks based on the following: • Internal controls and the risk management system established by the Company; • Work performed by the IA and EA; • Assurance from the CEO and CFO and • Reviews done by the various Board Committees and key management personnel.

<table>
<tr><th><u>Catalist Rule</u></th><th><u>Rule Description</u></th><th><u>Company's Compliance or Explanation</u></th></tr>
<tr><td>1204(17)</td><td>Interested Persons Transaction ("IPT")</td><td>
<p>The Group has procedures governing all IPTs to ensure that they are properly documented and reported on a timely manner to the AC and that they are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.</p>
<p>Other than the restructuring exercise and IPTs as disclosed on pages 151 to 166 of the offer document dated 1 December 2014 respectively, there were no additional IPTs of S$100,000 and above during FY2016. Details of the additional IPTs of S$100,000 and above are as follows:</p>
<table>
<tr><th>Name of Interested Person</th><th>Aggregate value of all IPTs during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)</th><th>Aggregate value of all IPTs during the financial year under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)</th></tr>
<tr><td>NHL Holding Pte Ltd
– Lease of construction equipment and vehicles from NHL Holding Pte Ltd</td><td>S$3,826,000</td><td>Not applicable</td></tr>
<tr><td>NHL Holding Pte Ltd
– Lease of dormitories to Huationg Contractor Pte Ltd from NHL Holding Pte Ltd</td><td>S$288,000</td><td>Not applicable</td></tr>
</table>
</td></tr>
<tr><td>1204(19)</td><td>Dealing in Securities</td><td>The Company has in place a policy prohibiting dealings of the Company's securities by the Company, its Directors and employees on short-term considerations or when they are in possession of price sensitive information and during the period of one month prior to the announcement of the Company's half-year and full-year results, as the case may be, and ending on the date of the announcement of the relevant results. Directors and employees are expected to observe the insider trading laws at all times even when dealing in securities within the permitted trading period.</td></tr>
</table>

<table>
<tr><th>Catalist Rule</th><th>Rule Description</th><th>Company’s Compliance or Explanation</th></tr>
<tr><td>1204(21)</td><td>Non-sponsor fees</td><td>For FY2016, the Company paid to its sponsor, PrimePartners Corporate Finance Pte. Ltd. non-sponsor fees of S$10,000.</td></tr>
<tr><td>1204(22)</td><td>Use of IPO Proceeds</td><td>The Company refers to the net proceeds amounting to S$4.1 million (excluding listing expenses of approximately S$1.4 million) raised from the initial public offering (“**IPO**”) on the Catalist of the SGX-ST on 9 December 2014. As at the date of this report, the status on the use of the IPO net proceeds is as follows:
<table>
<tr><th>Use of Proceeds</th><th>Amount Allocated (S$’000)</th><th>Amount Utilised (S$’000)</th><th>Amount Unutilisted (S$’000)</th></tr>
<tr><td>To explore opportunities in mergers and acquisitions, joint ventures and strategic alliances</td><td>1,500</td><td>170 (1)</td><td>1,330</td></tr>
<tr><td>To increase LSS production</td><td>1,000</td><td>1,000</td><td>–</td></tr>
<tr><td>General working capital purposes</td><td>1,611</td><td>905</td><td>706</td></tr>
<tr><td>Listing expenses</td><td>1,389</td><td>1,389</td><td>–</td></tr>
<tr><td>**Total**</td><td>5,500</td><td>3,464</td><td>2,036</td></tr>
</table>
Notes:–
(1) As disclosed in the Company’s announcements dated 10 July 2015, and 13 April 2016, Banyan Capital Pte. Ltd. (“**Banyan**”), a wholly owned subsidiary of the Company, has entered into a joint venture agreement with Golden Empire Civil Engineering Pte. Ltd. to incorporate a joint venture company, Golden Empire-Huationg Pte. Ltd. (“**GE-HT**”). Banyan has invested a total amount of S$170,000 into GE-HT, and now holds 33.3% equity interest in GE-HT.
The above use of proceeds is in accordance with the intended use of the IPO net proceeds and percentage allocated, as stated in the offer document dated 1 December 2014.</td></tr>
</table>

DIRECTORS' STATEMENT

The Directors of Huationg Global Limited (the "Company") present their statement to the members together with the audited financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2016 and the statement of financial position of the Company as at 31 December 2016.

1. Opinion of the Directors

In the opinion of the Board of Directors,

a. the consolidated financial statements of the Group and the statement of financial position of the Company together with the notes thereon are properly drawn up in accordance with the provision of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date; and

b. at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

The Directors of the Company in office at the date of this statement are as follows:

Ng Hai Liong
Ng Kian Ann Patrick
Ng Kian Yeow, Vincent
Yuen Sou Wai
Yen Se-Hua Stewart
Wee Heng Yi, Adrian

3. Arrangements to enable Directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

4. Directors' interests in shares or debentures

According to the Register of Directors' Shareholdings kept by the Company for the purposes of Section 164 of the Act, none of the Directors of the Company who held office at the end of the financial year had any interests in the shares or debentures of the Company or its related corporations except as follows:

	Shareholdings registered in the name of Directors		**Shareholdings in which Directors are deemed to have an interest**	
	Balance as at 1.1.2016	**Balance as at 31.12.2016**	**Balance as at 1.1.2016**	**Balance as at 31.12.2016**
	Number of ordinary shares			
The Company				
Ng Hai Liong	-	-	121,759,600	121,759,600
Ng Kian Ann Patrick	-	43,900	121,759,600	121,759,600
Ng Kian Yeow, Vincent	-	-	121,759,600	121,759,600
Ultimate holding company				
Dandelion Capital Pte. Ltd.				
Ng Hai Liong	17	17	35	35
Ng Kian Ann Patrick	25	25	-	-
Ng Kian Yeow, Vincent	23	23	-	-

4. Directors' interests in shares or debentures (Continued)

By virtue of Section 7 of the Act, Mr Ng Hai Liong, Mr Ng Kian Ann Patrick and Mr Ng Kian Yeow, Vincent are deemed to have an interest in all related corporations of the Company. In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company state that, according to the Register of the Directors' Shareholdings, the Directors' interests as at 21 January 2017 in the shares or debentures of the Company and its related corporations have not changed from those disclosed as at 31 December 2016.

5. Share options

Huationg Employee Share Option Scheme

The Huationg Employee Share Option Scheme (the "Share Option Scheme") was approved and adopted at the Company's extraordinary general meeting held on 18 November 2014. The Share Option Scheme is administered by the members of both Remuneration Committee and Nominating Committee comprising Mr Yen Se-Hua Stewart, Mr Yuen Sou Wai, Mr Wee Heng Yi, Adrian and Mr Ng Kian Ann Patrick (collectively, the "Administration Committee"). The Share Option Scheme provides for the grant of incentive share options to employees and Directors of the Group.

Under the Share Option Scheme, the total number of shares over which the Administration Committee may grant options on any date, when added to the number of shares issued and issuable in respect of (a) all options granted under the Share Option Scheme; (b) all awards granted under the Huationg Performance Share Plan; and (c) any other share option schemes of the Company, shall not exceed 15% of the number of issued shares (excluding treasury shares) on the day immediately preceding the date of the relevant grant.

Options granted with the exercise price set at market price shall only be exercisable after the first anniversary of the date of grant and expire on the fifth anniversary of such date of grant.

Options granted with the exercise price set at a discount to market price shall only be exercisable after the second anniversary of the date of grant and expire on the fifth anniversary of such date of grant.

There were no share options granted by the Company or its subsidiary corporations during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations.

There were no unissued shares of the Company or its subsidiary corporations under option as at the end of the financial year.

6. Share awards

Huationg Performance Share Plan

The Huationg Performance Share Plan (the "Share Plan") was approved at the Company's extraordinary general meeting held on 18 November 2014. The Share Plan is administered by the Remuneration Committee, which provides for the grant of incentive share awards to employees and Directors.

The Share Plan is designed to reward its participants through the issue of fully-paid shares according to the extent to which they complete certain time-based service conditions or achieve their performance targets over set performance periods.

No minimum vesting periods are prescribed under the Share Plan for awards, and the length of the vesting period in respect of each award shall be determined on a case-by-case basis.

Since the inception of the Share Plan, no award has been granted.

7. Audit committee

The Audit Committee as at the date of this statement comprises the following members, all of whom are non-executive independent Directors:

Yuen Sou Wai (Chairman)
Yen Se-Hua Stewart
Wee Heng Yi, Adrian

The Audit Committee performed the functions specified in Section 201B(5) of the Act, the Listing Manual – (Section B: Rules of Catalist) of the SGX-ST and the Code of Corporate Governance.

In performing its functions, the Audit Committee met with the Company's external and internal auditors to review the audit plans and overall scope of examination by the internal and external auditors and the reports of the internal auditors' examination of the Group's systems of internal accounting control.

The Audit Committee also reviewed the following:

(i) assistance provided by the Company's officers to the internal and external auditors;
(ii) consolidated financial statements of the Group and the statement of financial position of the Company prior to submission to the Directors of the Company for adoption;
(iii) interested person transactions (as defined in Chapter 9 of the SGX Listing Manual);
(iv) re-appointment of the external and internal auditors of the Company; and
(v) the full-year announcements as well as the related press releases on the results and financial position of the Group and the Company.

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority to invite any Director or executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the Board of Directors the nomination of BDO LLP, for re-appointment as external auditor of the Company at the forthcoming Annual General Meeting. The Audit Committee has carried out an annual review of non-audit services provided by the external auditor to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditor.

8. Independent auditor

The independent auditor, BDO LLP, has expressed its willingness to accept re-appointment.

On behalf of the Board of Directors

Ng Hai Liong **Director**	**Ng Kian Ann Patrick** **Director**

Singapore

31 March 2017

INDEPENDENT AUDITOR'S REPORT

To the Members of Huationg Global Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Huationg Global Limited (the "Company") and its subsidiaries (the "Group"), as set out on pages 53 to 120, which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2016;
- the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows of the Group for the year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Report on the Audit of the Financial Statements (Continued)

KEY AUDIT MATTER

1 Accounting for Construction Contracts

One of the Group's main revenue streams relate to the provision of civil engineering services which account for 78% of the Group's total revenue. The Group enters into construction contracts with customers for such services and recognises contract revenue and the associated contract costs by reference to the stage of completion of the respective contracts at the reporting date. This is determined based on the contract costs incurred to date against management's expected total costs for each contract.

We focused our audit on the Group's accounting treatment for these type of contracts due to the high level of management judgements involved, particularly relating to, for each contract:

- Estimating the total contract revenue, including an assessment of the expected recovery of costs arising from claims and variation orders.
- Estimating total contract costs at the inception of the contract and at the end of each reporting period.
- Determining the stage of completion of each contract at the end of each reporting period, including an assessment of the appropriateness of contract costs incurred to date.

Refer to notes 3.2(i), 21 and 31 of the accompanying financial statements.

AUDIT RESPONSE

Our procedures included, amongst others, the following:

- We tested the Group's controls relating to its construction contracts, including the tender acceptance and budgeting process.
- For a sample of contracts selected, we assessed the reasonableness of management's estimated total contract revenue, estimated total contract costs and the stage of completion at the end of the year by:
  - Agreeing the initial contract revenue to the letter of award of the contract, and checking subsequent claims and variation orders to customers' acceptance and approval.
  - Checking the actual costs incurred to date to supplier invoices and delivery orders.
  - Checking the estimated costs to complete against supporting documents such as contracts and supplier quotations.
  - Evaluating the revised profit margin of the contract against the initial budgeted profit margin.
  - Evaluating the revenue computed using the stage of completion against the certified progress billings for the contract.

Report on the Audit of the Financial Statements (Continued)

KEY AUDIT MATTER	AUDIT RESPONSE
2 Recoverability of trade receivables (including retention sums)	

As at 31 December 2016, the carrying amount of the Group's trade receivables from third parties and retention sums from construction contracts (collectively the "trade receivables"), net of allowance for impairment amount to $29.9 million, comprising approximately 16% of the Group's total assets.
In accordance with FRSs, management assesses the trade receivables for objective evidence of impairment, which includes an evaluation of the creditworthiness and the past collection history of each customer on a case-by-case basis. Where there are indicators of impairment, the Group recognises an impairment loss when the estimated future cash flows of the trade receivables have been impacted.
As at 31 December 2016, the Group recorded an allowance for trade receivables of $4.0 million.
We have determined this to be a key audit matter as a considerable amount of management judgement was involved in the impairment assessment. In addition, the carrying amount of trade receivables is material to the Group's financial statements as at 31 December 2016.
Refer to notes 3.2(ii), 11 and 32.1 of the accompanying financial statements.
	Our procedures included, amongst others, the following:
	• We tested and reviewed the aging report used by management in the impairment assessment.
	• We assessed the reasonableness of management's assessment by:
	  • Checking a sample of outstanding trade receivables, to receipts subsequent to the end of the year.
	  • Evaluating the historical payment patterns for long outstanding receivables.
	  • Reading customer correspondences.
	  • For a sample of retention sums for projects completed in prior years, checking against correspondences with the customers and available market information.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The director's responsibilities include overseeing the Group's financial reporting process.

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT

To the Members of Huationg Global Limited

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Aw Vern Chun Philip.

BDO LLP
Public Accountants and
Chartered Accountants

Singapore
31 March 2017

STATEMENTS OF FINANCIAL POSITION

As at December 31 2016

		Group		Company	
	Note	2016	2015	2016	2015
		$'000	$'000	$'000	$'000
			(Restated)		
ASSETS					
Non-current assets					
Property, plant and equipment	4	104,966	109,381	-	-
Available-for-sale financial assets	5	5,185	4,913	-	-
Investments in subsidiaries	6	-	-	41,735	33,235
Investment in a joint venture	7	81	-*	-	-
Prepayments	8	440	679	-	-
Intangible asset	9	76	11	23	-
Total non-current assets		**110,748**	**114,984**	**41,758**	**33,235**
Current assets					
Gross amounts due from contract customers	10	21,961	21,319	-	-
Available-for-sale financial assets	5	2,599	3,359	-	-
Inventories		2,076	187	-	-
Trade and other receivables	11	32,317	31,323	3,029	2,029
Prepayments	8	1,049	844	8	5
Cash and bank balances	12	14,313	18,809	1,196	3,065
Total current assets		**74,315**	**75,841**	**4,233**	**5,099**
Total assets		**185,063**	**190,825**	**45,991**	**38,334**
EQUITY AND LIABILITIES					
Equity					
Share capital	13	38,676	38,676	38,676	38,676
Other reserves	14	(15,991)	(17,046)	-	-
Accumulated profits/(losses)	15	35,154	31,535	7,212	(467)
Equity attributable to owners of the parent		**57,839**	**53,165**	**45,888**	**38,209**
Non-controlling interests		(148)	149	-	-
Total equity		**57,691**	**53,314**	**45,888**	**38,209**
Non-current liabilities					
Other payables	16	1,852	2,021	-	-
Finance lease payables	17	29,424	37,572	-	-
Bank borrowings	18	13,646	10,198	-	-
Deferred income	19	141	240	-	-
Deferred tax liabilities	20	5,509	4,541	-	-
Total non-current liabilities		**50,572**	**54,572**	**-**	**-**

* *Denotes an amount of less than $1,000*

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

As at December 31 2016

	Note	Group 2016 $'000	Group 2015 $'000 (Restated)	Company 2016 $'000	Company 2015 $'000
Current liabilities					
Gross amounts due to contract customers	10	7,999	10,274	-	-
Trade and other payables	16	29,666	29,716	103	125
Finance lease payables	17	17,079	16,558	-	-
Bank borrowings	18	21,343	25,259	-	-
Deferred income	19	99	99	-	-
Current income tax payable		614	1,033	-	-
Total current liabilities		**76,800**	**82,939**	**103**	**125**
Total liabilities		**127,372**	**137,511**	**103**	**125**
Total equity and liabilities		**185,063**	**190,825**	**45,991**	**38,334**

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2016

	Note	**2016 $'000**	**2015 $'000 (Restated)**
Revenue	21	117,191	130,188
Cost of sales and services		(93,915)	(104,022)
Gross profit		23,276	26,166
Other item of income			
Other income	22	3,728	2,779
Other items of expense			
Administrative expenses		(18,303)	(18,731)
Other expenses		(1,333)	(2,257)
Finance costs	23	(2,189)	(2,018)
Share of loss of joint venture	7	(89)	-*
Profit before income tax	24	5,090	5,939
Income tax expense	25	(1,314)	(1,097)
Profit for the financial year		3,776	4,842
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss:			
Fair value changes on available-for-sale financial assets	5	(600)	23
Reclassification of gains included in available-for-sale reserve		-	(13)
Reclassification of fair value loss in available-for-sale financial assets to profit or loss		781	-
Item that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of property, plant and equipment	4	874	2,415
Other comprehensive income for the financial year		1,055	2,425
Total comprehensive income for the financial year		4,831	7,267
Profit attributable to:			
Owners of the parent		4,073	5,051
Non-controlling interests		(297)	(209)
		3,776	4,842
Total comprehensive income attributable to:			
Owners of the parent		5,128	7,476
Non-controlling interests		(297)	(209)
		4,831	7,267
Earnings per share:			
- Basic and diluted (in cents)	26	2.69	3.34

* *Denotes an amount of less than $1,000*

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

	Note	Share capital $'000	Accumulated profits $'000	Other reserves $'000	Total equity attributable to owners of the parent $'000	Non-controlling interests $'000	Total equity $'000
Balance as at 1.1.2016 (As restated)		38,676	31,535	(17,046)	53,165	149	53,314
Profit for the financial year		-	4,073	-	4,073	(297)	3,776
Other comprehensive income:							
- Gain on revaluation of property, plant and equipment	4	-	-	874	874	-	874
- Fair value changes on available-for-sale financial assets	5	-	-	(600)	(600)	-	(600)
- Reclassification of fair value loss in available-for-sale financial assets to profit or loss		-	-	781	781	-	781
		-	-	1,055	1,055	-	1,055
Total comprehensive income for the financial year		-	4,073	1,055	5,128	(297)	4,831
Transactions with owners of the parent:							
Dividends	27	-	(454)	-	(454)	-	(454)
Total transactions with owners of the parent		-	(454)	-	(454)	-	(454)
Balance as at 31.12.2016		38,676	35,154	(15,991)	57,839	(148)	57,691

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

	Note	Share capital $'000	Accumulated profits $'000	Other reserves $'000	Total equity attributable to owners of the parent $'000	Non-controlling interests $'000	Total equity $'000
Balance as at 1.1.2015		38,676	26,938	(19,471)	46,143	358	46,501
Profit for the financial year							
- as previously reported		-	6,410	-	6,410	(209)	6,201
- prior year restatements	34	-	(1,359)	-	(1,359)	-	(1,359)
- as restated		-	5,051	-	5,051	(209)	4,842
Other comprehensive income:							
- Gain on revaluation of property, plant and equipment							
- as previously reported		-	-	1,056	1,056	-	1,056
- prior year restatements	34	-	-	1,359	1,359	-	1,359
- as restated	4	-	-	2,415	2,415	-	2,415
- Reclassification of gains in available-for-sale reserve		-	-	(13)	(13)	-	(13)
- Fair value changes on available-for-sale financial assets	5	-	-	23	23	-	23
		-	-	2,425	2,425	-	2,425
Total comprehensive income for the financial year		-	5,051	2,425	7,476	(209)	7,267
Transactions with owners of the parent:							
Dividends	27	-	(454)	-	(454)	-	(454)
Total transactions with owners of the parent		-	(454)	-	(454)	-	(454)
Balance as at 31.12.2015		38,676	31,535	(17,046)	53,165	149	53,314

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2016

	2016 $'000	2015 $'000 (Restated)
Cash flows from operating activities		
Profit before income tax	5,090	5,939
Adjustments for:		
Allowance for impairment of available-for-sale financial assets	781	-
Allowance for impairment of trade receivables	12	1,511
Amortisation of intangible assets	3	-
Depreciation of property, plant and equipment	15,063	13,441
Gain on disposal of available-for-sale financial assets	-	(32)
Gain on disposal of plant and equipment	(1,336)	(130)
Amortisation of gain on sale and leaseback transactions	(99)	-
Interest expenses	2,060	1,776
Interest income	(205)	(245)
Share of results of joint venture	89	-*
Unrealised exchange difference	25	192
Operating cash flows before working capital changes	21,483	22,452
Working capital changes:		
Trade and other receivables	(1,007)	(5,056)
Prepayments	34	28
Gross amounts due to contract customers, net	(2,917)	(4,903)
Inventories	(1,889)	(187)
Trade and other payables	1,987	5,704
Cash generated from operations	17,691	18,038
Interest received	205	236
Income tax paid	(765)	(1,111)
Net cash from operating activities	17,131	17,163
Cash flows from investing activities		
Investment in a joint venture	(170)	-*
Purchase of property, plant and equipment	(1,678)	(4,712)
Additions to intangible assets	(68)	-
Proceeds from disposal of plant and equipment	994	4,869
Proceeds from disposal of available-for-sale financial assets	-	1,337
Net cash (used in)/from investing activities	(922)	1,494

* *Denotes an amount of less than $1,000*

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2016

	2016 $'000	2015 $'000 (Restated)
Cash flows from financing activities		
Proceeds from trust receipts	47,443	59,957
Repayment of trust receipts	(49,027)	(59,142)
Proceeds from term loans	5,000	2,000
Repayment of term loans	(4,020)	(1,967)
Interest paid	(2,060)	(1,776)
Dividends paid	(454)	(454)
Repayment of finance lease payables	(17,587)	(14,834)
Net cash used in financing activities	(20,705)	(16,216)
Net change in cash and bank balances	(4,496)	2,441
Cash and bank balances as at the beginning of the financial year	18,809	16,368
Cash and bank balances as at the end of the financial year (Note 12)	14,313	18,809

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General corporate information

Huationg Global Limited (the "Company") is a limited liability company incorporated and domiciled in the Republic of Singapore. The Company is listed on the Catalist board of the Singapore Exchange Securities Trading Limited ("SGX-ST").

The Company's registered office address and principal place of business is at 9 Benoi Crescent, Singapore 629972. The Company's registration number is 201422395Z.

The Company's immediate and ultimate holding company is Dandelion Capital Pte. Ltd., a company incorporated in Singapore, which is controlled by Ng Hai Liong, Ng Kian Ann Patrick and Ng Kian Yeow, Vincent.

The principal activity of the Company is that of investment holding company.

The principal activities of the subsidiaries are set out in Note 6 to the financial statements.

The statement of financial position of the Company and the consolidated financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2016 were authorised for issue in accordance with a Directors' resolution dated 31 March 2017.

2. Significant accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with the provisions of the Companies Act, Cap. 50 and Financial Reporting Standards ("FRS") in Singapore including related Interpretations of FRS ("INT FRS"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Singapore dollar ("$") which is the functional currency of the Company and the presentation currency for the consolidated financial statements. All values presented are rounded to the nearest thousand ($'000), unless otherwise indicated.

The preparation of financial statements in conformity with FRS requires the management to exercise judgement in the process of applying the Group's accounting policies and requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the end of the reporting periods, and the reported amounts of revenue and expenses throughout the financial years. Although these estimates are based on management's best knowledge of historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the financial year in which the estimate is revised if the revision affects only that financial year or in the financial year of the revision and future financial years if the revision affects both current and future financial years.

2. Significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

Critical accounting judgements and key sources of estimation uncertainty used that are significant to the financial statements are disclosed in Note 3 to the financial statements.

In the current financial year, the Group has adopted all the new and revised FRS that are relevant to its operations and effective for the current financial year. The adoption of these new/revised FRS did not result in changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior years.

FRS issued but not yet effective

At the date of authorisation of these financial statements, the following FRS and INT FRS that are relevant to the Group were issued but not yet effective, and have not been adopted early in these financial statements:

		Effective date (annual periods beginning on or after)
FRS 7 (Amendments)	: *Disclosure Initiative*	1 January 2017
FRS 12 (Amendments)	: *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
FRS 102 (Amendments)	: *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
FRS 109	: *Financial Instruments*	1 January 2018
FRS 110 and FRS 28 (Amendments)	: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined
FRS 115	: *Revenue from Contracts with Customers*	1 January 2018
FRS 115 (Amendments)	: *Clarifications to FRS 115 Revenue from Contracts with Customers*	1 January 2018
FRS 116	: *Leases*	1 January 2019

Consequential amendments were also made to various standards as a result of these new or revised standards.

The management anticipates that the adoption of the above FRS and INT FRS in future periods, if applicable, will not have a material impact on the financial statements of the Group in the period of their initial adoption, except as disclosed below.

2. Significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

FRS issued but not yet effective (Continued)

FRS 7 *(Amendments) Disclosure Initiative*

The amendments require additional disclosures to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group will adopt these amendments in the financial year beginning on 1 January 2017 and will include the additional disclosures in its financial statements for that financial year.

FRS 109 *Financial Instruments*

FRS 109 supersedes FRS 39 *Financial Instruments: Recognition and Measurement* with new requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Classification and measurement

Under FRS 109, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for certain equity investments, for which the Group can elect to recognise the gains and losses in other comprehensive income. Debt instruments that meet the Solely Payments of Principal and Interest contractual cash flow characteristics test and where the Group is holding the debt instrument to both collect the contractual cash flows and to sell the financial assets can also be measured at fair value through other comprehensive income.

FRS 109 carries forward the recognition, classification and measurement requirements for financial liabilities from FRS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, FRS 109 retains the requirements in FRS 39 for de-recognition of financial assets and financial liabilities.

The Group has commenced its preliminary assessment of its financial assets and liabilities measured at amortised cost and does not expect any significant changes to the measurement of these financial assets and liabilities on the adoption of FRS 109. The Group expects that investments in life insurances currently classified as available-for-sale ("AFS") financial assets at fair value through other comprehensive income ("OCI") will be measured at fair value through profit or loss on the adoption of FRS 109. Cumulative fair value changes in the AFS reserve will be reclassified to retained earnings at the date of initial application and subsequent fair value changes will be recognised in profit or loss. The debt securities currently classified as AFS at fair value through OCI would appear to satisfy the conditions for classification as at fair value through other comprehensive income on the adoption of FRS 109.

2. Significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

FRS issued but not yet effective (Continued)

FRS 109 *Financial Instruments* (Continued)

Impairment

FRS 109 introduces a new forward-looking impairment model based on expected credit losses to replace the incurred loss model in FRS 39. This determines the recognition of impairment loss allowances as well as interest revenue. For debt securities measured at fair value through OCI, the Group will recognise (at a minimum) 12 months of expected losses in profit or loss. Lifetime expected losses will be recognised on these assets when there is a significant increase in credit risk after initial recognition under the three-stage model or from initial recognition if the simplified model is applied.

The new impairment requirements are expected to result in changes to impairment loss allowances on trade receivables and other receivables, due to earlier recognition of credit losses. The Group expects to adopt the simplified model for its trade receivables and will record an allowance for lifetime expected losses from initial recognition. For other receivables due from third parties and related parties, the Group will initially provide for 12 months expected losses under the three-stage model. The Group is still in the process of determining how it will estimate expected credit losses and the sources of forward-looking data.

Transition

The Group plans to adopt FRS 109 in the financial year beginning on 1 January 2018 without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings. The Group will include additional financial statement disclosures in its financial statements in that year.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 introduces a comprehensive model that applies to revenue from contracts with customers and supersedes all existing revenue recognition requirements under FRS.

The core principle is that an entity recognises revenue when control over promised goods or services is transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

FRS 115 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

2. **Significant accounting policies** (Continued)

2.1 **Basis of preparation of financial statements** (Continued)

FRS issued but not yet effective (Continued)

FRS 115 *Revenue from Contracts with Customers* (Continued)

The Group is in a business of providing civil engineering services, inland construction logistics support and sales of construction materials. Some construction contracts which customers may request for contract modification or variation. Currently, the Group recognises revenue from the construction contracts by reference to the stage of completion of the contract activity at the end of the financial year (percentage-of-completion method). Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer. If variations cannot be reliably measured, the Group defers revenue recognition until the uncertainty is resolved. Such provisions give rise to variable consideration under FRS 115, and will be required to be estimated at contract inception. FRS 115 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue. The Group is currently assessing whether revenue from individual contracts can continue to be recognised over time and to determine the estimated variable consideration and related constraint. On adoption of FRS 115, the Group will elect to apply the practical expedient on contract modifications.

The Group plans to adopt FRS 115 in the financial year beginning on 1 January 2018 using the full retrospective method in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

FRS 116 *Leases*

FRS 116 supersedes FRS 17 *Leases* and introduces a new single lessee accounting model which eliminates the current distinction between operating and finance leases for lessees. FRS 116 requires lessees to capitalise all leases on the statement of financial position by recognising a “right-of-use” asset 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. Subsequently, the lease assets will be depreciated and the lease liabilities will be measured at amortised cost.

From the perspective of a lessor, the classification and accounting for operating and finance leases remains substantially unchanged under FRS 116. FRS 116 also requires enhanced disclosures by both lessees and lessors.

The standard will affect primarily the accounting treatment for the Group’s operating leases for which the Group is lessee. The Group is currently assessing the impact of the standard and plans to adopt the standard in the financial year beginning on 1 January 2019 with either full or modified retrospective effect in accordance with the transitional provisions, and will include the required additional disclosures in the financial statements for that year.

2. Significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

FRS issued but not yet effective (Continued)

Adoption of IFRS-identical financial reporting standards

Singapore-incorporated companies listed on SGX-ST are required to apply a new financial reporting framework identical to the International Financial Reporting Standards ("IFRS") in 2018. The Group will adopt the new framework on 1 January 2018 and will apply the equivalent of IFRS 1 First-time Adoption of International Financial Reporting Standards to the transition. This will involve restating the comparatives for the financial year ended 31 December 2017 and the opening statements of financial position as at 1 January 2017 in accordance with the new framework. The Group is in the process of assessing the impact of transition, including the impact from the adoption of IFRS 9 and 15 which is expected to be similar to the impact of FRS 109 and 115 disclosed above, as well as other transitional adjustments that may be required or elected under IFRS 1.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

Subsidiaries are consolidated from the date on which control is obtained by the Group up to the effective date on which control is lost, as appropriate.

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation. Unrealised losses may be an impairment indicator of the asset concerned.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by other members of the Group.

Non-controlling interests in subsidiaries relate to the equity in subsidiaries which is not attributable directly or indirectly to the owners of the parent. They are shown separately in the consolidated statements of comprehensive income, financial position and changes in equity.

Non-controlling interests in the acquiree that are a present ownership interest and entitle its holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value, of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

2. Significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary it derecognises the assets and liabilities of the subsidiary and any non-controlling interest. The profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to accumulated profits) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

Acquisition under common control

Business combination arising from transfers of interest in entities that are under common control are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. For this purpose, comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously and no adjustments are made to reflect the fair values or recognised any new assets or liabilities, including no goodwill is recognised as a result of the combination. The components of equity of the acquired entities are added to the same components within the Group equity.

Any difference between the consideration paid for the acquisition and share capital of acquiree is recognised directly to equity as merger reserve.

2.3 Subsidiaries

Subsidiaries are entities over which the Group has control. The Group controls an investee if the Group has power over the investee, exposure to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the separate financial statements of the Company, investments in subsidiaries are carried at cost, less any impairment loss that has been recognised in profit or loss.

2. Significant accounting policies (Continued)

2.4 Property, plant and equipment

Leasehold properties are initially measured at cost and subsequently carried at its revalued amount, being the fair value at the date of revaluation, less accumulated depreciation and impairment loss, if any, recognised after the date of the revaluation.

Valuations are performed with sufficient regularity to ensure that the carrying amounts do not differ materially from the fair values at the end of the reporting period. When an asset is revalued, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset. The net amount is then restated to the revalued amount of the asset. Revaluation surpluses are taken to the asset revaluation reserve, unless they offset previous revaluation losses of the same asset that were recognised in profit or loss. Revaluation losses are taken to the asset revaluation reserve, to the extent that they offset previous revaluation surpluses of the same asset that were taken to the asset revaluation reserve. Other revaluation surpluses or losses are recognised in profit or loss.

The whole of the revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to accumulated profits on retirement or disposal of the asset.

Plant and equipment are initially recognised at cost and subsequently stated at cost less accumulated depreciation and impairment loss, if any.

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Subsequent expenditure relating to the property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that the future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group, and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

Depreciation is charged so as to write off the depreciable amounts of assets, over their estimated useful lives, using the straight-line method, on the following bases:

	Years
Leasehold properties	Remaining lease period of between 5 and 25 years
Computers	3 years
Container offices	5 years
Office equipment and electrical fittings	10 years
Plant and machineries	10 years
Worksite equipment	5 years
Trucks and vehicles	10 years

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the residual values, period of depreciation and depreciation method are consistent with previous estimates and expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

2. Significant accounting policies (Continued)

2.4 Property, plant and equipment (Continued)

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

An item of property, plant and equipment is derecognised upon disposed or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the financial year when the asset is derecognised. Any amount in the revaluation reserve relating to that asset is transferred to accumulated profits directly.

2.5 Intangible asset

Club membership

Club membership is initially measured at cost and is subsequently carried at cost less any accumulated impairment losses.

Trademarks

Trademarks represent costs associated with the protection of the Group's trademark registration. Trademarks are initially measured at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. The costs are amortised to profit or loss using the straight-line method over the estimated useful life of 10 years.

Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense for intangible assets with finite useful lives is recognised in profit or loss through the 'amortisation of intangible assets' line item.

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

2. Significant accounting policies (Continued)

2.6 Joint arrangements

The Group is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries (Note 2.3). The Group classifies its interests in joint arrangements as either:

- Joint ventures: where the group has rights to only the net assets of the joint arrangement; or
- Joint operations: where the group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement;
- The legal form of joint arrangements structured through a separate vehicle;
- The contractual terms of the joint arrangement agreement; and
- Any other facts and circumstances (including any other contractual arrangements).

2.7 Joint ventures

Joint ventures are initially recognised in the consolidated statement of financial position at cost, and subsequently accounted for using the equity method less any impairment losses. Any premium paid for a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is accounted as goodwill and is included in the carrying amount of the investment in joint venture.

Under the equity method, the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of comprehensive income. Post-acquisition changes in the Group's share of net assets of joint ventures and distributions received are adjusted against the carrying amount of the investments.

Losses of a joint venture in excess of the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment) are not recognised, unless the Group has incurred legal or constructive obligations to make good those losses or made payments on behalf of the joint venture.

Where the Group transacts with a joint venture, unrealised profits are eliminated to the extent of the Group's interest in the joint venture. Unrealised losses are also eliminated, but only to the extent that there is no impairment.

2. **Significant accounting policies** (Continued)

2.8 Impairment of non-financial assets

At the end of each financial year, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible asset with indefinite useful lives is tested for impairment annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as revaluation increase.

2.9 Financial instruments

Financial assets and financial liabilities are recognised on the statements of financial position when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where applicable, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments.

Financial assets

Financial assets are initially measured at fair value, plus transaction costs.

The Group classifies its financial assets as loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose for which these financial assets were acquired and is determined at the time of initial recognition.

2. **Significant accounting policies** (Continued)

2.9 **Financial instruments** (Continued)

Financial assets (Continued)

Loans and receivables

Non-derivative financial assets which have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost, using the effective interest method, less impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The Group's loans and receivables in the statements of financial position comprise trade and other receivables (excluding non-refundable deposits), amounts due from contract customers and cash and bank balances.

Available-for-sale financial assets ("AFS")

Certain bond securities and investment in life insurance held by the Group are classified as AFS if they are not classified in any of the other categories. Subsequent to initial recognition, they are measured at fair value and changes therein, are recognised in other comprehensive income and accumulated in the available-for-sale reserve, with the exception of any related foreign exchange component, impairment losses, interest calculated using the effective interest method which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the available-for-sale reserve is included in profit or loss for the period. The amount of cumulative loss that is reclassified is measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that the estimated future cash flows of the asset have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amounts of all financial assets are reduced by the impairment loss directly with the exception of receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

2. **Significant accounting policies** (Continued)

2.9 **Financial instruments** (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity, except for impairment losses on equity instruments at cost which are not reversed.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition, any difference between the carrying amount and the sum of proceeds received and amounts previously recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs. The Group classifies ordinary shares as equity instruments.

Financial liabilities

Financial liabilities are classified as other financial liabilities.

Other financial liabilities

Trade and other payables

Trade and other payables, excluding advances from contract customers, advance rental, goods and services tax payable and provision for unutilised leave, are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method.

Borrowings

Interest-bearing borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see below).

2. Significant accounting policies (Continued)

2.9 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount and the consideration paid is recognised in profit or loss. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.10 Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the financial year (percentage-of-completion method), except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer. The Group measures stage of completion based on the proportion of contract costs incurred to-date compared to expected total contract costs.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

At the end of the financial year, the aggregated costs incurred plus recognised profit (less recognised loss) on each contract is compared against the progress billings. Where costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is presented on the face of the statements of financial position as "Gross amounts due from contract customers". Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is presented as "Gross amounts due to contract customers". Progress billings not yet paid by customers and retentions are included within "Trade and other receivables". Advances from contract customers are included within "Trade and other payables".

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first-out method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2. Significant accounting policies (Continued)

2.12 Cash and bank balances

Cash and bank balances comprise cash on hand, demand deposits and other short-term highly liquid investments which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

2.13 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for sales of goods and services rendered in the normal course of business, net of discounts and sales related taxes.

Revenue from construction contracts

Revenue from construction contracts is recognised in accordance with the accounting policy on construction contracts.

Inland logistics support service income

Inland logistics support service income is recognised upon completion of services.

Sales of construction materials

Revenue from the sales of construction materials is recognised when the materials are delivered to and accepted by the customers.

Rental income

Rental income from properties are recognised on a straight-line basis over the term of the relevant lease.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

2.14 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to expenditure which are not capitalised, the fair value of grants are credited to profit or loss as and when the underlying expenses are included in profit or loss to match such related expenditure.

2.15 Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred using the effective interest method.

2. Significant accounting policies (Continued)

2.16 Retirement benefit costs

Payments to defined contribution plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution plan.

2.17 Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated undiscounted liability for unutilised annual leave expected to be settled wholly within 12 months from the reporting date as a result of services rendered by employees up to the end of the financial year.

2.18 Leases

Finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased assets to the lessee. All other leases are classified as operating leases.

The Group as a lessee

Assets held under finance leases are capitalised as property, plant and equipment at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statements of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss.

Gains or losses arising from sale and finance leaseback, determined based on differences between sale proceeds and carrying amounts are deferred and amortised over the minimum lease terms.

Operating leases

The Group as a lessee

Rentals payable under operating leases (net of any incentives received from lessors) are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Group as a lessor

Rental income from operating leases (net of any incentives given to lessees) is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which user benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

2. Significant accounting policies (Continued)

2.19 Taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from profit reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other financial years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is recognised at the amount expected to be paid or recovered from the taxation authority and is calculated using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year.

Current income taxes are recognised in profit or loss, except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and interests in joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects to recover or settle its assets and liabilities, except for investment properties at fair value which are presumed to be recovered through sale.

2. Significant accounting policies (Continued)

2.19 Taxes (Continued)

Deferred tax (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is recognised in profit or loss, except when it relates to items recognised outside profit or loss, in which case the tax is also recognised either in other comprehensive income or directly in equity.

Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- when the sales taxation that is incurred on purchase of assets or services is not recoverable from the taxation authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

2.20 Dividends

Equity dividends are recognised when they become legally payable. Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which dividends are approved by shareholders.

2.21 Foreign currency transactions and translation

In preparing the financial statements, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded at the rates of exchange prevailing on the date of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items and on re-translating of monetary items are recognised in profit or loss for the financial year. Exchange differences arising on the re-translation of non-monetary items carried at fair value are recognised in profit or loss for the financial year except for differences arising on the re-translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

2. Significant accounting policies (Continued)

2.22 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group) and whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 2, management made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources. The estimates and associated assumptions were based on historical experience and other factors that were considered to be reasonable under the circumstances. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Critical judgements made in applying the accounting policies

(i) Impairment of available-for-sale financial assets

The Group records impairment charges on available-for-sale debt securities when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

(ii) Impairment of investment in subsidiaries

The Group and the Company follow the guidance of FRS 36 in determining whether investments in subsidiaries are impaired. This determination requires significant judgement. The Group and the Company evaluate, among other factors, the duration and extent to which the recoverable amount of the investment is less than its carrying amount and the financial health of and near-term business outlook for the investment, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the financial year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Contract revenue

The Group recognises contract revenue to the extent of contract costs incurred where it is probable that those costs will be recoverable or based on the stage of completion method. The stage of completion is measured by reference to the contract costs incurred to-date to the estimated total costs for the contract.

Significant judgement is required in determining the stage of completion, the extent of the contract cost incurred, the estimated total contract revenue and contract costs, as well as the recoverability of the contracts. Total contract revenue also includes an estimation of the recoverable variation works that are recoverable from the customers. In making the judgement, management's evaluation is based on the actual level of work performed and past experience. The carrying amounts of the Group's gross amounts due from contract customers and gross amounts due to contract customers as at 31 December 2016 were $21,961,000 (2015: $21,319,000) and $7,999,000 (2015: $10,274,000) respectively.

(ii) Impairment of trade and other receivables

The policy for impairment of receivables of the Group is on a case-by-case basis and management's ongoing evaluation of the recoverability of the outstanding receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the assessment of the creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying amounts of Group's and the Company's trade and other receivables (excluding non-refundable deposit) as at 31 December 2016 were $30,807,000 (2015: $31,030,000) and $3,029,000 (2015: $2,029,000) respectively.

(iii) Depreciation of property, plant and equipment

The Group depreciates property, plant and equipment on a straight-line method, over their estimated useful lives after taking into account of their estimated residual values. The estimated useful life reflects management's estimate of the period that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual value reflects management's estimated amount that the Group would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, as if the asset were already of the age and in the condition expected at the end of its useful life. Changes in the expected level of usage and technological developments could affect the economic, useful lives and the residual values of these assets which could then consequentially impact future depreciation charges. The carrying amounts of the Group's property, plant and equipment as at 31 December 2016 was $104,966,000 (2015: $109,381,000).

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.2 Key sources of estimation uncertainty (Continued)

(iv) Income taxes

Significant judgement is involved in determining the provision for income taxes. The Group recognises expected liabilities for income tax based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual liability arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax provisions in the period when such determination is made. The carrying amounts of the Group's current income tax payable and deferred tax liabilities as at 31 December 2016 were $614,000 (2015: $1,033,000) and $5,509,000 (2015: $4,541,000) respectively.

(v) Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

- *Level 1:* Quoted prices in active markets for identical items (unadjusted)
- *Level 2:* Observable direct or indirect inputs other than Level 1 inputs
- *Level 3:* Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures a number of items at fair value on a recurring or non-recurring basis:

- Revalued leasehold properties - Property, Plant and Equipment (Note 4)
- Financial instruments (Note 33.1)

For more detailed information in relation to the fair value measurement of the items above including the carrying amounts and the estimation uncertainty involved, please refer to the applicable notes.

4. Property, plant and equipment

	Leasehold properties $'000	Computers $'000	Container offices $'000	Office equipment and electrical fittings $'000	Plant and machineries $'000	Worksite equipment $'000	Trucks and vehicles $'000	Total $'000
Group								
Cost								
Balance as at 1.1.2016	24,000	288	231	686	101,392	2,953	34,349	163,899
Additions	26	51	-	57	16,468	354	4,475	21,431
Reclassification	-	30	-	(30)	-	-	-	-
Disposals	-	(54)	-	-	(13,723)	(50)	(3,913)	(17,740)
Write-offs	-	(16)	-	-	-	-	-	(16)
Revaluation	(726)	-	-	-	-	-	-	(726)
Balance as at 31.12.2016	23,300	299	231	713	104,137	3,257	34,911	166,848
Representing:								
At cost	-	299	231	713	104,137	3,257	34,911	143,548
At valuation	23,300	-	-	-	-	-	-	23,300
	23,300	299	231	713	104,137	3,257	34,911	166,848

4. Property, plant and equipment (Continued)

	Leasehold properties $'000	Computers $'000	Container offices $'000	Office equipment and electrical fittings $'000	Plant and machineries $'000	Worksite equipment $'000	Trucks and vehicles $'000	Total $'000
Group								
Accumulated depreciation								
Balance as at 1.1.2016	-	201	178	470	37,861	1,612	14,196	54,518
Depreciation	1,600	55	23	46	9,590	447	3,302	15,063
Reclassification	-	9	-	(9)	-	-	-	-
Disposals	-	(54)	-	-	(2,626)	(49)	(3,354)	(6,083)
Write-offs	-	(16)	-	-	-	-	-	(16)
Elimination of depreciation on revaluation	(1,600)	-	-	-	-	-	-	(1,600)
Balance as at 31.12.2016	-	195	201	507	44,825	2,010	14,144	61,882
Carrying amount								
Balance as at 31.12.2016	23,300	104	30	206	59,312	1,247	20,767	104,966

4. Property, plant and equipment (Continued)

	Leasehold properties $'000	Computers $'000	Container offices $'000	Office equipment and electrical fittings $'000	Plant and machineries $'000	Worksite equipment $'000	Trucks and vehicles $'000	Total $'000
Group (Restated)								
Cost								
Balance as at 1.1.2015	22,000	185	231	653	74,795	2,195	33,042	133,101
Additions	943	103	-	33	35,994	761	4,122	41,956
Disposals	-	-	-	-	(9,397)	(3)	(2,815)	(12,215)
Revaluation	1,057	-	-	-	-	-	-	1,057
Balance as at 31.12.2015	24,000	288	231	686	101,392	2,953	34,349	163,899
Representing:								
At cost	-	288	231	686	101,392	2,953	34,349	139,899
At valuation	24,000	-	-	-	-	-	-	24,000
	24,000	288	231	686	101,392	2,953	34,349	163,899
Accumulated depreciation								
Balance as at 1.1.2015	-	167	150	414	35,031	1,217	13,272	50,251
Depreciation	1,359	34	28	56	8,470	395	3,099	13,441
Disposals	-	-	-	-	(5,640)	-	(2,175)	(7,815)
Elimination of deprecation on revaluation	(1,359)	-	-	-	-	-	-	(1,359)
Balance as at 31.12.2015	-	201	178	470	37,861	1,612	14,196	54,518
Carrying amount								
Balance as at 31.12.2015	24,000	87	53	216	63,531	1,341	20,153	109,381

4. **Property, plant and equipment** (Continued)

During the current financial year, plant and machineries with a carrying amount of $11,228,000 was disposed for a consideration of $12,000,000. Accordingly, a gain on disposal of plant and equipment of $772,000 was recognised under “other income” line item in profit or loss. The consideration of $12,000,000 was subsequently used to offset the purchase of plant and machineries during the year.

As at 31 December 2016, the Group’s plant and machineries with a carrying amount of $51,058,000 (2015: $58,509,000) and trucks and vehicles with a carrying amount of $17,745,000 (2015: $17,474,000) were purchased under finance lease agreements. Finance lease assets are pledged as securities for the related finance lease payables (Note 17).

The Group’s leasehold properties as at 31 December 2016 with a fair value of $23,300,000 (2015: $24,000,000) were pledged as securities for the banking facilities granted to the Group as disclosed in Note 18 to the financial statements.

During the financial year, the Group’s additions to property, plant and equipment were financed as follows:

	Group	
	2016	**2015**
	$’000	**$’000**
Additions to property, plant and equipment	21,431	41,956
Acquired under finance lease agreements	(19,131)	(33,603)
Acquired under trade and other payables	(622)	(3,641)
Cash payments to acquire property, plant and equipment	1,678	4,712

Particulars of the leasehold properties held by the Group are as follows:

Location	**Description**	**Tenure**
3 Kranji Loop Singapore 739539	Industrial building with a floor area of 2,213 square metre	30 years from 1 April 1981 (renewed until 31 December 2020)
9 Benoi Crescent Singapore 629972	Industrial building, including a 3-storey dormitory, with a floor area of 8,457 square metre	52 years from 1 January 1989

The Group’s leasehold properties had been revalued on 31 December 2016 which was recognised in the financial statements based on valuations performed by Messrs GB Global Pte Ltd, an accredited independent valuation firm. The surpluses of $874,000 (2015: $2,415,000) arising from the revaluations have been credited to other comprehensive income and accumulated in equity under asset revaluation reserve (Note 14). The fair value of leasehold properties has been determined based on the market comparison approach that reflects most recent transaction prices for similar properties, after adjusting for relevant factors such as property size. The valuation conforms to International Valuation Standards and is based on the asset’s highest and best use. If the revalued properties had been included in the financial statements at historical cost less accumulated depreciation, the carrying amount as at 31 December 2016 would have been $14,781,000 (2015: $15,374,000). Details of valuation techniques and inputs used are disclosed in Note 33 to the financial statements.

5. Available-for-sale financial assets

	Group		
	2016		
	Investments in life insurances	**Quoted debt securities**	**Total**
	$'000	**$'000**	**$'000**
Balance as at the beginning of the financial year	4,913	3,359	8,272
Interest earned	-	171	171
Interest received	-	(171)	(171)
Unrealised foreign exchange gain recognised in profit or loss	112	-	112
Fair value changes recognised in other comprehensive income	160	(760)	(600)
Balance as at the end of the financial year	5,185	2,599	7,784

	2015		
	Investments in life insurances	**Quoted debt securities**	**Total**
	$'000	**$'000**	**$'000**
Balance as at the beginning of the financial year	2,079	4,787	6,866
Additions	2,436	-	2,436
Disposals	-	(1,317)	(1,317)
Interest earned	-	179	179
Interest received	-	(171)	(171)
Unrealised foreign exchange gain recognised in profit or loss	256	-	256
Fair value changes recognised in other comprehensive income	142	(119)	23
Balance as at the end of the financial year	4,913	3,359	8,272

Details of the available-for-sale financial assets are as follows:

	Group	
	2016	**2015**
	$'000	**$'000**
Current		
Quoted debt securities, at fair value		
- Instrument I	1,380	1,468
- Instrument II	1,219	1,891
	2,599	3,359

5. **Available-for-sale financial assets** (Continued)

Details of the available-for-sale financial assets are as follows: (Continued)

	Group	
	2016	**2015**
	$'000	**$'000**
Non-current		
Investments in life insurances, at fair value		
- Life Insurance Policy I	2,459	2,317
- Life Insurance Policy II	2,726	2,596
	5,185	4,913
	7,784	8,272

<u>Quoted debt securities</u>

	Group			
	2016		**2015**	
	Coupon rate	**Maturity**	**Coupon rate**	**Maturity**
Instrument I	4.25%	3 April 2019	4.25%	3 April 2019
Instrument II	5.35%	1 October 2018	5.35%	1 October 2018

The management has the intention to dispose the remaining quoted debt securities within 12 months after the end of the reporting period.

The fair value of the above-mentioned debt securities as at 31 December 2016 is presented in Note 33.1 to the financial statements.

<u>Investments in life insurances</u>

During the financial year ended 31 December 2014, the Group entered into a Flexible Premium Universal Life Insurance Policy – Asian Wealth Prestige Plus (the "Policy I") for an executive Director of the Company with a single premium amounting to US$1,929,910 (approximately $2,410,458) by taking up a term loan (Note 18). Policy I's total initial sum insured is US$10,000,000, and has a guaranteed return of 4.2% per annum within the 5 years lock-in period.

During the financial year ended 31 December 2015, the Group entered into a Life Insurance Policy - PruUniversal Vantage Zenith (the "Policy II") for an executive Director of the Company with a single premium amounting to US$2,296,910 (approximately $3,116,447) by taking up a revolving loan (Note 18). Policy II's total initial sum insured is US$12,000,000, and has a guaranteed return of 3.6% per annum within the 1 year lock-in period.

Policy I and Policy II (collectively known as the "Policies") both provide the Group with the sum insured or return on investment when the Policies are surrendered to the insurer based on the cash value as determined by the insurer.

5. Available-for-sale financial assets (Continued)

Investments in life insurances (Continued)

5 years from the date of the Policies taken up by the Group on the life of the Director, the Director shall become the beneficiary of the Policies and be entitled to (a) all payments and other benefits arising therefrom after deducting for the amounts paid under the respective loans (Note 18), as well as (b) the surrender value of the insurance policies.

The initial cash value of the Policies are recognised as an available-for-sale financial asset. The difference between the premium paid and the initial cash value is recognised as prepayments and amortised over 5 years.

The interest earned on available-for-sale financial assets amounting to $171,000 (2015: $179,000) is recognised in profit or loss under the "Other income" line item.

The available-for-sale financial assets are denominated in the following currencies:

	Group	
	2016 $'000	2015 $'000
Singapore dollar	2,599	3,359
United States dollar	5,185	4,913
	7,784	8,272

6. Investments in subsidiaries

	Company	
	2016 $'000	2015 $'000
Unquoted equity shares, at cost	41,735	33,235

The details of the subsidiaries are as follows:

Name of company	Country of incorporation and principal place of business	Principal activities	Proportion of ownership interest held by the Group		Proportion of ownership interest held by the non-controlling interests	
			2016 %	2015 %	2016 %	2015 %
Held by the Company						
Huationg Contractor Pte Ltd[(1)]	Singapore	Provision of civil engineering services and inland construction logistics support	100	100	-	-
Soil Engineering Pte. Ltd.[(1)]	Singapore	Supply of construction materials	100	100	-	-
HT Equipment Pte. Ltd.[(1)]	Singapore	Provision of industrial machinery and equipment rental services	75	75	25	25

6. **Investments in subsidiaries** (Continued)

The details of the subsidiaries are as follows: (Continued)

Name of company	Country of incorporation and principal place of business	Principal activities	Proportion of ownership interest held by the Group		Proportion of ownership interest held by the non-controlling interests	
			2016	2015	2016	2015
			%	%	%	%
Held by Huationg Contractor Pte Ltd						
Banyan Capital Pte. Ltd.[2]	Singapore	General contractors and other investment holding company	100	100	-	-

[1] Audited by BDO LLP, Singapore

[2] Audited by RSM Chio Lim LLP, Singapore

Additional investment in a subsidiary

During the financial year ended 31 December 2016, the Company increased the paid-up share capital of its wholly-owned subsidiary, Huationg Contractor Pte Ltd, by subscribing for an additional 1 ordinary share for a total consideration of $8,500,000. The consideration was set off via a capitalisation of balances owing from Huationg Contractor Pte Ltd.

Incorporation of a subsidiary

During the financial year ended 31 December 2015, the Group has, through its wholly-owned subsidiary, Huationg Contractor Pte Ltd incorporated a wholly-owned subsidiary known as Banyan Capital Pte. Ltd. ("Banyan") in the Republic of Singapore, with an issued and paid-up share capital of $1. Banyan will be principally engaged in the businesses of general contractors and investment holding.

Non-controlling interests

Summarised financial information in relation to the subsidiary that has non-controlling interests ("NCI"), before intra-group eliminations and together with amounts attributed to NCI, is presented below:

	HT Equipment Pte. Ltd.	
	2016	2015
	$'000	$'000
Revenue	1,171	2,876
Loss before income tax	(1,360)	(843)
Income tax credit	172	6
Loss for the financial year	(1,188)	(837)
Loss allocated to NCI	(297)	(209)
Total comprehensive income allocated to NCI	(297)	(209)

6. Investments in subsidiaries (Continued)

Non-controlling interests (Continued)

	HT Equipment Pte. Ltd.	
	2016	**2015**
	$'000	**$'000**
Cash flows from operating activities	978	692
Cash flows used in investing activities	(24)	(22)
Cash flows used in financing activities	(731)	(729)
Net cash inflows/(outflows)	223	(59)
Assets:		
Current assets	590	677
Non-current assets	3,097	3,340
Liabilities:		
Current liabilities	(3,485)	(1,922)
Non-current liabilities	(795)	(1,500)
Net assets	(593)	595
Accumulated non-controlling interests	(148)	149

7. Investment in a joint venture

	Group	
	2016	**2015**
	$'000	**$'000**
Unquoted equity shares		
Balance as at the beginning of the financial year	-*	-
Subscription of additional shares	170	-*
Share of post-acquisition results	(89)	-*
Balance as at the end of the financial year	81	-*

The details of the joint venture are as follows:

Name of joint venture (Country of incorporation and principal place of business)	**Principal activities**	**Effective equity interest held by the Group**	
		2016	**2015**
		%	**%**
Golden Empire-Huationg Pte. Ltd.[1] (Singapore)	Civil engineering and mixed construction and land reclamation works	33.3	33.3

[1] Audited by RSM Chio Lim LLP, Singapore

* *Denotes an amount of less than $1,000*

7. Investment in a joint venture (Continued)

On 10 July 2015, a subsidiary of the Group, Banyan entered into a joint venture agreement with Golden Empire Civil Engineering Pte. Ltd. ("Golden Empire") to incorporate a joint venture company, Golden Empire-Huationg Pte. Ltd. (the "JV Company"). The JV Company, with an initial issued and paid-up share capital of $3, was entered into to form a strategic alliance in the business of civil engineering projects.

On 13 April 2016, the JV Company increased its issued and paid-up share capital through the issuance and allotment of 509,997 new ordinary shares at $1 per share to Banyan and Golden Empire. Banyan subscribed for 169,999 ordinary shares of $1 each in the JV Company for a total cash consideration of $169,999. Following the allotment, the Group's effective interest in the JV Company remains unchanged at 33.3%.

Summarised financial information (immaterial joint venture)

	2016 $'000	2015 $'000
The Group's share of loss for the financial year, representing total comprehensive income	(89)	-*

* *Denotes an amount of less than $1,000*

8. Prepayments

	Group 2016 $'000	 2015 $'000
Prepaid life insurance (Note 5)	674	912
Prepaid other operating expenses	815	611
Less: Current portion	(1,049)	(844)
Non-current portion	440	679

9. Intangible assets

	Trademarks $'000	Club membership $'000	Total $'000
Group			
Cost			
Balance as at 1.1.2015, 31.12.2015 and 1.1.2016	-	54	54
Additions	68	-	68
Balance as at 31.12.2016	68	54	122
Accumulated amortisation			
Balance as at 1.1.2015, 31.12.2015 and 1.1.2016	-	-	-
Amortisation for the financial year	(3)	-	(3)
Balance as at 31.12.2016	(3)	-	(3)
Accumulated impairment			
Balance as at 1.1.2015, 31.12.2015, 1.1.2016 and 31.12.2016	-	(43)	(43)
Carrying amount			
Balance as at 31.12.2016	65	11	76
Balance as at 31.12.2015	-	11	11

	Trademarks $'000
Company	
Cost	
Balance as at 1.1.2015, 31.12.2015 and 1.1.2016	-
Additions	24
Balance as at 31.12.2016	24
Accumulated amortisation	
Balance as at 1.1.2015, 31.12.2015 and 1.1.2016	-
Amortisation for the financial year	(1)
Balance as at 31.12.2016	(1)
Carrying amount	
Balance as at 31.12.2016	23
Balance as at 31.12.2015	-

10. Gross amount due from/(to) contract customers

	Group	
	2016	**2015**
	$'000	**$'000**
Contracts in progress as at 31 December:		
Gross amounts due from contract customers	21,961	21,319
Gross amounts due to contract customers	(7,999)	(10,274)
	13,962	11,045
Aggregate amount of costs incurred and profits (less recognised losses) to date	458,395	443,196
Less: Progress billings and advances	(444,433)	(432,151)
	13,962	11,045

As at 31 December 2016, retention monies on construction contract work amounted to $11,791,000 (2015: $12,787,000) are presented within trade receivables in Note 11. Advances from contract customers amounted to $200,000 (2015: $540,000) are presented within trade and other payables in Note 16. The amounts due from and to contract customers are denominated in Singapore dollar.

11. Trade and other receivables

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Trade receivables				
- third parties	22,060	21,242	-	-
- joint venture	149	-	-	-
Retention sums on construction contracts	11,791	12,787	-	-
	34,000	34,029	-	-
Less:				
Allowance for impairment loss*	(3,954)	(3,942)	-	-
	30,046	30,087	-	-
Other receivables				
- third parties	5	3	-	-
- employees	33	54	-	-
- subsidiaries	-	-	3,029	2,029
	38	57	3,029	2,029
Deposits				
- refundable	723	886	-	-
- non-refundable	1,510	293	-	-
	2,233	1,179	-	-
Trade and other receivables	32,317	31,323	3,029	2,029
Add/(Less):				
Cash and bank balances	14,313	18,809	1,196	3,065
Gross amounts due from contract customers	21,961	21,319	-	-
Non-refundable deposits	(1,510)	(293)	-	-
Loans and receivables	67,081	71,158	4,225	5,094

Trade receivable from third parties and joint venture are unsecured, non-interest bearing and generally on 30 to 60 days' credit terms.

Non-trade receivable from subsidiaries are unsecured, non-interest bearing and repayable on demand.

Allowances were made for receivables, which are determined to be impaired, for debtors that have a high likelihood in defaulting on payments. These receivables are not secured by any collateral or credit enhancements.

* Includes allowances for impairment loss for retention sums on construction contracts of $1,306,000 (2015: $1,306,000).

11. Trade and other receivables (Continued)

Movements in allowance for impairment of trade receivables were as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Balance as at the beginning of the financial year	3,942	2,433	-	-
Allowance made during the financial year (Note 24)	12	1,511	-	-
Bad debts written-off	-	(2)	-	-
Balance as at the end of the financial year	3,954	3,942	-	-

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Singapore dollar	32,317	31,176	3,029	2,029
British pound sterling	-	147	-	-
	32,317	31,323	3,029	2,029

12. Cash and bank balances

Cash and bank balances are denominated in the following currencies:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Singapore dollar	14,206	18,650	1,196	3,065
United States dollar	104	156	-	-
Euro	3	3	-	-
	14,313	18,809	1,196	3,065

13. Share capital

	Group and Company			
	2016	**2015**	**2016**	**2015**
	Number of ordinary shares		**$'000**	**$'000**
<u>Issued and fully-paid</u>				
Balance as at the beginning and end of the financial year	151,384,600	151,384,600	38,676	38,676

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares have no par value and carry one vote per share without restriction.

14. Other reserves

	Group	
	2016	**2015**
	$'000	**$'000**
		(Restated)
Asset revaluation reserve	9,987	9,113
Merger reserve	(26,160)	(26,160)
Available-for-sale reserve	182	1
	(15,991)	(17,046)

<u>Asset revaluation reserve</u>

The asset revaluation reserve arises from the revaluation of leasehold properties and is not available for distribution.

	Group	
	2016	**2015**
	$'000	**$'000**
		(Restated)
Balance as at the beginning of the financial year	9,113	6,698
Gain on revaluation (Note 4)	874	2,415
Balance as at the end of the financial year	9,987	9,113

<u>Merger reserve</u>

Merger reserve represents the difference between the consideration paid and the share capital of subsidiaries acquired.

	Group	
	2016	**2015**
	$'000	**$'000**
Balance as at the beginning and end of the financial year	(26,160)	(26,160)

14. Other reserves (Continued)

Available-for-sale reserve

Available-for-sale reserve represents the cumulative fair value changes of available-for-sale financial assets until they are derecognised or impaired.

	Group	
	2016	**2015**
	$'000	**$'000**
Balance as at the beginning of the financial year	1	(9)
Reclassification of gains in available-for-sale reserve upon disposal of available-for-sale financial assets	-	(13)
(Loss)/Gain on changes in fair value (Note 5)	(600)	23
Reclassification of fair value loss in available-for-sale financial assets to profit or loss	781	-
Balance as at the end of the financial year	182	1

15. Accumulated profits/(losses)

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
		(Restated)		
Balance as at the beginning of the financial year	31,535	26,938	(467)	(1,446)
Profit for the financial year	4,073	5,051	8,133	1,433
Dividends (Note 27)	(454)	(454)	(454)	(454)
Balance as at the end of the financial year	35,154	31,535	7,212	(467)

16. Trade and other payables

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Current				
Trade payables				
- third parties	16,050	12,943	-	-
- a related party (Note 28)	4,486	3,285	-	-
Retention sums payable to subcontractors	2,499	1,971	-	-
	23,035	18,199	-	-
Other payables				
- third parties	612	3,726	14	125
- staff retention monies	271	351	-	-
- Directors	94	224	62	-
- related parties*	1,995	1,995	-	-
	2,972	6,296	76	125
Refundable deposits	382	165	-	-
Advance from contract customer	200	360	-	-
Advance rental	-	133	-	-
Accrued expenses	3,077	4,563	27	-
	29,666	29,716	103	125
Non-current				
Other payables				
- Directors	352	341	-	-
- related parties*	1,500	1,500	-	-
- advances from contract customer	-	180	-	-
	1,852	2,021	-	-
Trade and other payables	31,518	31,737	103	125
Add/(Less):				
Advances from contract customer	(200)	(540)	-	-
Advance rental	-	(133)	-	-
Goods and services tax payable	(520)	(695)	-	-
Provision for unutilised leave	(253)	(240)	-	-
Finance lease payables	46,503	54,130	-	-
Bank borrowings	34,989	35,457	-	-
Other financial liabilities at amortised cost	112,037	119,716	103	125

* These balances relate to amounts owing to former shareholders of subsidiaries (who are currently certain Directors and their immediate family members) in relation to dividends declared by these subsidiaries before the shares of the Company were listed.

16. Trade and other payables (Continued)

Trade payable due to third parties are unsecured, non-interest bearing and generally on 30 to 60 days' credit terms. Trade payable due to a related party is unsecured, non-interest bearing and repayable on demand.

The current portion of the amounts due to Directors and related parties are unsecured, non-interest bearing and repayable on demand. The non-current portion of the amounts due to Directors and related parties are unsecured, non-interest bearing and not repayable within the next twelve months.

Trade and other payables are denominated in Singapore dollar.

17. Finance lease payables

	Minimum lease payments $'000	Future finance charges $'000	Present value of minimum lease payments $'000
Group			
2016			
Not later than one year	17,618	(539)	17,079
Later than one year and not later than five years	30,547	(1,123)	29,424
	48,165	(1,662)	46,503
2015			
Not later than one year	17,106	(548)	16,558
Later than one year and not later than five years	38,983	(1,411)	37,572
	56,089	(1,959)	54,130

The finance lease term is 4 to 5 years. The average effective interest rates for the finance lease payables are 2.15% (2015: 2.56%) per annum.

The finance lease payables are secured by the leased asset (Note 4).

The finance lease payables are denominated in Singapore dollar.

18. Bank borrowings

	Group	
	2016	**2015**
	$'000	**$'000**
Current		
Secured		
Revolving loan I	-	2,729
Revolving loan II	3,322	3,248
Revolving loan III	1,000	1,000
Term loan I	660	660
Trust receipts I	4,984	5,840
	9,966	13,477
Unsecured		
Trust receipts II	7,689	8,417
Revolving loan IV	-	1,000
Revolving loan V	-	1,000
Revolving loan VI	2,000	-
Term loan II	688	1,365
Term loan III	1,000	-
	11,137	11,782
	21,343	25,259
Non-current		
Secured		
Term loan I	8,855	9,515
Term loan IV	2,791	-
Unsecured		
Term loan II	-	683
Term loan III	2,000	-
	13,646	10,198
Total bank borrowings	34,989	35,457

The weighted average effective interest rates per annum of the borrowings were as follows:

	Group	
	2016	**2015**
	%	**%**
Revolving loans	2.13	1.98
Term loans	2.44	2.43
Trust receipts	2.08	2.37

18. Bank borrowings (Continued)

As at 31 December 2016, the revolving loan I and III are secured through the legal mortgage over a leasehold property of the Group (Note 4), a corporate guarantee by the Company (Note 32.3), and first legal assignment of all the rights, title, interests and benefits arising from Policy I (Note 5).

As at 31 December 2016, the revolving loan II is secured through the legal mortgage over a leasehold property of the Group (Note 4), a corporate guarantee by the Company (Note 32.3), and first legal assignment of all the rights, title, interests and benefits arising from Policy II (Note 5).

Term loan I is repayable over a period of 20 years by monthly instalments commencing from May 2011. As at 31 December 2016, term loan I is secured by the legal mortgage over a leasehold property of the Group (Note 4), and a corporate guarantee from the Company (Note 32.3).

As at 31 December 2016, the trust receipts I are secured by the legal mortgage over a leasehold property of the Group (Note 4). As at 31 December 2016, the trust receipts I and II are supported by a corporate guarantee from the Company (Note 32.3).

As at 31 December 2016, the revolving loans IV, V and VI are supported by a corporate guarantee from the Company (Note 32.3).

Term loan II is repayable over a period of 3 years by monthly instalments commencing from June 2014. As at 31 December 2016, term loan II is supported by a corporate guarantee from the Company (Note 32.3).

Term loan III is repayable over a period of 3 years by monthly instalments commencing from January 2017. As at 31 December 2016, term loan III is supported by a corporate guarantee from the Company (Note 32.3).

Term loan IV is repayable in full in year 2022. As at 31 December 2016, term loan IV is secured through the legal mortgage over a leasehold property of the Group (Note 4), a corporate guarantee from the Company (Note 32.3), and first and legal assignment of all the rights, title, interests and benefits arising from Policy I (Note 5).

As at the end of each financial year, the Group has banking facilities as follows:

	Group	
	2016	**2015**
	$'000	**$'000**
Facilities granted	281,958	264,652
Facilities utilised	131,814	77,822

Bank borrowings are denominated in the following currencies:

	Group	
	2016	**2015**
	$'000	**$'000**
Singapore dollar	28,876	29,480
United States dollar	6,113	5,977
	34,989	35,457

19. Deferred income

	Group 2016 $'000	2015 $'000
Current		
Deferred gain on sale and leaseback transactions		
- finance leases	99	99
Non-current		
Deferred gain on sale and leaseback transactions		
- finance leases	141	240
	240	339

20. Deferred tax liabilities

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the financial year.

	Accelerated tax depreciation $'000	Foreseeable losses $'000	Others $'000	Total $'000
Group				
Balance as at 1.1.2016	4,580	-	(39)	4,541
Charged/(credited) to profit or loss	1,123	-	(155)	968
Balance as at 31.12.2016	5,703	-	(194)	5,509
Balance as at 1.1.2015	4,425	(4)	(31)	4,390
Charged/(credited) to profit or loss	155	4	(8)	151
Balance as at 31.12.2015	4,580	-	(39)	4,541

Subject to the agreement by relevant taxation authorities, at the end of financial year, the Group has unutilised tax losses and unutilised capital allowance of approximately $910,000 (2015: $401,000) and $Nil (2015: $347,000) respectively available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of profit streams.

21. Revenue

	Group	
	2016	**2015**
	$'000	**$'000**
Revenue from contract works	90,797	99,618
Inland logistics support service income	16,254	28,096
Sales of construction materials	10,140	2,474
	117,191	130,188

22. Other income

	Group	
	2016	**2015**
	$'000	**$'000**
Amortisation of gain on sale and leaseback transactions	99	-
Gain on disposal of plant and equipment	1,336	130
Gain on disposal of available-for-sale financial assets	-	32
Government grants	342	321
Insurance claim monies received	16	58
Interest income from		
- banks	34	66
- available-for-sale financial assets	171	179
Operating lease income		
- leasehold properties	424	738
- sublease of other operating lease facilities	873	993
Sundry income	433	262
	3,728	2,779

23. Finance costs

	Group	
	2016	**2015**
	$'000	**$'000**
Interest expenses		
- bank overdrafts	-*	-*
- finance leases	1,203	920
- late payment	1	-*
- revolving loans	146	66
- term loans	400	397
- trust receipts	281	349
- others	29	44
	2,060	1,776
Bank charges	129	242
	2,189	2,018

* *Denotes an amount of less than $1,000*

24. Profit before income tax

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, the above includes the following charges:

	Group	
	2016	**2015**
	$'000	**$'000**
		(Restated)
Cost of sales and services		
Employee benefits expense		
- salaries, wages and other benefits	15,381	17,043
- contribution to Central Provident Fund	171	268
Depreciation of property, plant and equipment	14,494	12,967
Diesel/fuel costs	9,101	9,737
Material costs	22,452	18,327
Operating lease expense		
- trucks and equipment	4,789	6,142
- rental of premises	213	414
Repair and maintenance	5,515	7,829
Subcontract costs	17,284	28,538

24. Profit before income tax (Continued)

	Group	
	2016	**2015**
	$'000	**$'000**
		(Restated)
Administrative expenses		
Employee benefits expense		
- salaries, wages and other benefits	11,426	11,632
- contribution to Central Provident Fund	728	567
Directors' fees	125	125
Directors' remuneration		
- salaries, wages and other benefits	1,566	1,817
- contribution to Central Provident Fund	82	70
Depreciation of property, plant and equipment	569	474
Operating lease expense		
- construction site and other operating facilities	2,191	2,867
Other expenses		
Allowance for impairment of available-for-sale financial assets	781	-
Allowance for impairment of trade receivables	12	1,511
Amortisation of intangible assets	3	-
Foreign exchange loss, net	14	127
Penalty and fine	210	258

25. Income tax expense

	Group	
	2016	**2015**
	$'000	**$'000**
Current income tax		
- current financial year	526	831
- (over)/underprovision in prior financial years	(180)	115
	346	946
Deferred income tax		
- current financial year	677	229
- under/(over)provision in prior financial years	291	(78)
	968	151
	1,314	1,097

25. Income tax expense (Continued)

Reconciliation of effective income tax rate

Singapore income tax is calculated at 17% of the estimated assessable profit for the financial year. The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate to profit before income tax as a result of the following differences:

	Group	
	2016	**2015**
	$'000	**$'000**
		(Restated)
Profit before income tax	5,090	5,939
Income tax calculated at Singapore's statutory tax rate	865	1,010
Tax effect of:		
- income not subject to tax	(58)	(4)
- expenses not deductible for tax purposes	576	361
- tax rebates and enhanced allowances	(259)	(421)
- Singapore statutory stepped income exemption	(26)	(26)
(Over)/Underprovision of current income tax in prior financial years	(180)	115
Under/(Over)provision of deferred tax in prior financial years	291	(78)
Deferred tax assets not recognised	28	127
Others	77	13
	1,314	1,097

26. Earnings per share

Basic earnings per share

The calculation for earnings per share is based on:

	Group	
	2016	**2015**
		(Restated)
Profit attributable to owners of the parent ($'000)	4,073	5,051
Actual number of ordinary shares in issue during the financial year applicable to basic earnings per share	151,384,600	151,384,600
Basic earnings per share (in cents)	2.69	3.34

The calculations for basic earnings per share for the relevant periods are based on the profit attributable to owners for the financial years ended 31 December 2016 and 2015 divided by the actual number of ordinary shares in the relevant periods.

Diluted earnings per share

The dilutive earnings per share for the relevant periods are the same as the basic earnings per share as the Group does not have any dilutive potential ordinary shares for the relevant periods.

27. Dividends

	Group and Company	
	2016	2015
	$'000	$'000
First interim tax-exempt dividend of $0.003 per ordinary share in respect of financial year ended 31 December 2015	-	454
Final tax-exempt dividend of $0.003 per ordinary share in respect of financial year ended 31 December 2015	454	-
	454	454

The Board of Directors proposed that a final tax-exempt dividend of $0.004 per ordinary share amounting to $606,000 to be paid for the financial year ended 31 December 2016. These dividends have not been recognised as a liability as at the end of the reporting period as it is subject to the approval of the shareholders at the Annual General Meeting.

28. Significant related party transactions

During the financial year, in addition to the information disclosed elsewhere in these financial statements, the Group entered into the following transactions with related parties at rates and terms agreed between the parties:

	Group	
	2016	2015
	$'000	$'000
With a related party*		
Rental of other operating facilities from a related party	288	288
Rental of equipment and trucks from related parties	3,871	4,099

The outstanding balances as at 31 December 2016 with related parties are disclosed in note 16.

Compensation of key management personnel

Key management personnel are Directors of the Group and those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly, or indirectly.

28. Significant related party transactions (Continued)

Compensation of key management personnel (Continued)

The remuneration of key management personnel of the Group during the financial years ended 31 December 2016 and 2015 were as follows:

	Group	
	2016	**2015**
	$'000	**$'000**
Directors of the Company		
- Directors' fees	125	125
- short-term employee benefits	1,461	1,699
- post-employment benefits	71	55
	1,657	1,879
Directors of subsidiaries		
- short-term employee benefits	105	118
- post-employment benefits	11	15
	116	133
Other key management personnel		
- short-term employee benefits	539	512
- post-employment benefits	64	54
	603	566
	2,376	2,578

Commitments with a related party*

At the end of the financial year, commitments as lessee in respect of non-cancellable operating leases in respect of rental of equipment and trucks are as follows:

	Group	
	2016	**2015**
	$'000	**$'000**
Not later than one year	4,054	4,142
Later than one year and not later than five years	15,677	12,032
	19,731	16,174

These non-cancellable operating lease payments represent rents payable by the Group for equipment and trucks leased. Leases are negotiated for an average term of 10 to 20 years (2015: 10 to 20 years) and rentals are fixed for an average of 10 to 20 years (2015: 10 to 20 years) with no provisions for contingent rent or upward revision of rent based on market price indices.

* The related party refers to an entity controlled by the executive Directors of the Company which is not within the Group.

29. Operating lease commitments

The Group as lessee

In addition to the commitments as disclosed in Note 28 to the financial statements, commitments in respect of non-cancellable operating leases in respect of construction sites, leasehold properties and other operating facilities to third parties at the end of the financial year are as follows:

	Group	
	2016	**2015**
	$'000	**$'000**
Not later than one year	612	997
Later than one year and not later than five years	1,494	1,657
After five years	5,805	6,111
	7,911	8,765

Operating lease payments represent rents payable by the Group for leasehold properties, construction sites and other operating facilities.

Leases for leasehold properties have tenure of between 30 to 52 years (2015: 30 to 52 years) with no provisions for contingent rent. The leases include a clause to enable upward revision of the rental charge based on prevailing market rates.

Leases for construction sites and other operating facilities are negotiated for an average term of 1 to 5 years (2015: 1 to 3 years) and rental are fixed for an average of 1 to 5 years (2015: 1 to 3 years) with no provisions for contingent rent or upward revision of rent based on market price indices.

The Group as lessor

The Group has entered into commercial property leases on its leasehold properties. These non-cancellable leases have remaining lease terms within 2 years (2015: within 1 year). All leases include a clause to enable upward revision of the rental charge of an annual basis based on prevailing market conditions.

As at the end of the financial year, future minimum rentals receivable under non-cancellable operating leases are as follows:

	Group	
	2016	**2015**
	$'000	**$'000**
Not later than one year	218	363
Later than one year and not later than five years	24	-
	242	363

30. Capital commitments

	Group	
	2016	**2015**
	$'000	**$'000**
Capital expenditure approved and contracted for but not provided for in the financial statements		
- Commitments for the acquisition of property, plant and equipment	128	1,996

31. Segment information

Management has determined the operating segment based on the reports reviewed by the chief operating decision maker. For management purposes, the Group is organised into business units based on its services, and has three reportable operating segments as follows:

(a) Civil engineering services;
(b) Inland logistics support; and
(c) Sales of construction materials.

Civil engineering services includes construction projects on earthworks, infrastructure works, external works, demolition and excavation works, drainage works and road diversion. The Group also operates and manage entire stockpile sites.

Inland logistics support includes rental of construction equipment including tipper trucks, compactors and excavators.

Sale of construction materials includes the supplies of Liquefied Soil Stabiliser, as well as other construction related equipment and consumables.

The Group's reportable segments are strategic business units that are organised based on their function.

Management monitors the operating results of the segment separately for the purposes of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on operating profit or loss which is similar to the accounting profit or loss.

The accounting policies of the operating segments are the same of those described in the summary of significant accounting policies. There is no asymmetrical allocation to reportable segments.

There is no change from prior periods in the measurement methods used to determine reported segment profit or loss.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise other corporate expenses which are not directly attributable to a particular reporting segment.

31. Segment information (Continued)

Due to the nature of the Group's operations, no segment assets and liabilities are presented to the chief operating decision maker. Chief operating decision maker manages the assets, liabilities, finance costs and income taxes on a Group basis.

Business segment	Civil engineering services $'000	Inland logistics support $'000	Sale of construction materials $'000	Unallocated $'000	Elimination $'000	Consolidated $'000
2016						
Revenue						
External revenue	90,797	16,254	10,140	-	-	117,191
Inter-segment revenue	1,493	2,061	2,489	-	(6,043)	-
	92,290	18,315	12,629	-	(6,043)	117,191
Results						
Segment results	18,809	3,293	1,173	(16,241)	-	7,034
Share on results in a joint venture	(89)					(89)
Interest income						205
Interest expenses						(2,060)
Profit before income tax						5,090
Income tax expense						(1,314)
Profit for the financial year						3,776
Non-cash items						
Amortisation of gain on sale and leaseback transactions	-	-	-	99	-	99
Gain on disposal of plant and equipment	-	-	-	1,336	-	1,336
Depreciation of property, plant and equipment	-	-	-	(15,063)	-	(15,063)
Amortisation of intangible assets	-	-	-	(3)	-	(3)
Gain on disposal of available-for-sale financial assets	-	-	-	(781)	-	(781)
Allowance for impairment of trade receivables	(12)	-	-	-	-	(12)

31. **Segment information** (Continued)

Business segment	**Civil engineering services $'000**	**Inland logistics support $'000**	**Sale of construction materials $'000**	**Unallocated $'000**	**Elimination $'000**	**Consolidated $'000**
2015 (Restated)						
Revenue						
External revenue	99,618	28,096	2,474	-	-	130,188
Inter-segment revenue	-	4,184	2,967	-	(7,151)	-
	99,618	32,280	5,441	-	(7,151)	130,188
Results						
Segment results	20,914	4,978	274	(18,696)	-	7,470
Share on results in a joint venture	-*					-*
Interest income						245
Interest expenses						(1,776)
Profit before income tax						5,939
Income tax expense						(1,097)
Profit for the financial year						4,842
Non-cash items						
Gain on disposal of plant and equipment	-	-	-	130	-	130
Depreciation of property, plant and equipment	-	-	-	(13,441)	-	(13,441)
Gain on disposal of available-for-sale financial assets	-	-	-	32	-	32
Allowance for impairment of trade receivables	(1,509)	(2)	-	-	-	(1,511)

* *Denotes an amount of less than $1,000*

31. Segment information (Continued)

Major customers

For the financial year ended 31 December 2016, the revenue from 2 (2015: 2) major customers of the Group amounted to approximately $48,124,000 (2015: $44,309,000) of the total revenue from civil engineering services segment.

Geographic information

The Group's sales and assets are mainly derived in Singapore. Accordingly, no geographical segment information is presented during the financial years.

32. Financial instruments, financial risks and capital management

The Group's activities expose it to credit risks, market risks (including foreign currency risks, interest rate risks and equity price risks) and liquidity risks. The Group's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's financial performance to hedge certain financial risk exposures.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors.

There have been no changes to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis as indicated below.

32.1 Credit risks

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group performs ongoing credit evaluation of its counterparties' financial condition and generally does not require collateral.

As at 31 December 2016, approximately 16% (2015: 19%) of the Group's trade receivable from third parties (including retention sums on construction contracts) were due from 1 customer.

The Company has no concentration of credit risk other than the amount due from subsidiaries.

The Group's major classes of financial assets are available-for-sale financial assets, trade and other receivables, gross amounts due from contract customers and cash and bank balances.

Bank deposits are mainly deposits with banks with high credit-ratings assigned by international credit rating agencies.

32. Financial instruments, financial risks and capital management (Continued)

32.1 Credit risks (Continued)

The age analysis of trade receivables past due but not impaired is as follows:

	Group	
	2016	**2015**
	$'000	**$'000**
Past due for 1 to 30 days	4,393	5,292
Past due for 31 to 60 days	2,832	888
Past due for 61 to 90 days	2,322	327
Past due for more than 90 days	2,661	739

The carrying amount of trade receivables individually determined to be impaired are all past due for more than 90 days (Note 11).

Trade receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group.

32.2 Market risks

Foreign currency risks

The Group incurs foreign currency risk on transactions and balances that are denominated in currencies other than the functional currency of entities within the Group. The currencies giving rise to this risk are primarily from United States dollar. Exposure to foreign currency risk is monitored on an on-going basis to ensure that the net exposure is at an acceptable level.

As at the end of the financial year, monetary items denominated in a currency other than the respective entities' functional currency comprise cash and bank balances (Note 12), available-for-sale financial assets (Note 5) and bank borrowings (Note 18).

The Company is not exposed to significant financial risks on changes in foreign currency exchange rates as the Company's transactions are mainly denominated in its functional currency.

The carrying amounts of the Group's monetary assets and monetary liabilities in foreign currency at the end of the reporting period are as follows:

	Group	
	2016	**2015**
	$'000	**$'000**
Monetary assets		
United States dollar	5,289	5,069
Monetary liabilities		
United States dollar	6,113	5,977

32. Financial instruments, financial risks and capital management (Continued)

32.2 Market risks (Continued)

Foreign currency risks (Continued)

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 10% change in Singapore dollar against the United States dollar. The sensitivity analysis assumes an instantaneous 10% change in the foreign currency exchange rates from the end of the reporting period, with all other variables held constant. The results of the model are also constrained by the fact that only monetary items, which are denominated in United States dollar are included in the analysis.

	Increase/(Decrease)	
	Profit or Loss after tax	
	2016	**2015**
	$'000	**$'000**
Group		
United States dollar		
Strengthened against Singapore dollar	(68)	(75)
Weakened against Singapore dollar	68	75

Interest rate risks

The Group's exposure to market risk for changes in interest rates relates primarily to finance lease payables and bank borrowings as shown in Notes 17 and 18 to the financial statements respectively.

The Group's results are affected by changes in interest rates due to the impact of such changes on interest expenses from finance lease payables and bank borrowings which are at floating interest rates. It is the Group's policy to obtain quotes from banks to ensure that the most favourable rates are made available to the Group.

If the interest rate increases or decreases by 0.5%, the Group's profit or loss and equity will decrease or increase by approximately $195,000 (2015: $167,000) as at 31 December 2016, arising mainly as a result of higher or lower interest on floating rates for finance lease payables and bank borrowings. The interest expense from finance lease payables and bank borrowings are recognised as an expense under "Finance costs" line item in the consolidated statement of comprehensive income.

Price risk

The Group is exposed to price risks arising from debt securities classified as available-for-sale financial assets. The Group does not actively trade available-for-sale financial assets.

Debt securities price sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to debt securities price risks at the end of the financial year. The sensitivity analysis assumes an instantaneous 5% change in the debt securities prices from the end of the financial year, with all variables held constant.

32. Financial instruments, financial risks and capital management (Continued)

32.2 Market risks (Continued)

Price risk (Continued)

Debt securities price sensitivity analysis (Continued)

	Increase/(Decrease) Equity	
	2016	2015
Group	**$'000**	**$'000**
Available-for-sale financial assets		
Increase by 5%	130	168
Decrease by 5%	(130)	(168)

32.3 Liquidity risks

Liquidity risks refer to the risks in which the Group and the Company encounters difficulties in meeting its short-term obligations. Liquidity risks are managed by matching the payment and receipt cycle.

The following table details the Group's and Company's remaining contractual maturity for its non-derivative financial instruments. The table has been drawn up based on undiscounted cash flows of financial instruments based on the earlier of the contractual date or when the Group is expected to receive or (pay). The table includes both expected interest and principal cash flows.

	Effective interest rate	Within one financial year	After one financial year but within five financial years	More than five financial years	Total
	%	$'000	$'000	$'000	$'000
Group					
2016					
Financial liabilities					
Trade and other payables	-	28,693	1,852	-	30,545
Finance lease payables	2.15	17,618	30,547	-	48,165
Bank loans, floating interest rates:					
- revolving loans	2.13	6,439	-	-	6,439
- term loans	2.44	2,826	8,877	7,374	19,077
Trust receipts	2.08	12,717	-	-	12,717
		68,293	41,276	7,374	116,943

32. Financial instruments, financial risks and capital management (Continued)

32.3 Liquidity risks (Continued)

	Effective interest rate %	Within one financial year $'000	After one financial year but within five financial years $'000	More than five financial years $'000	Total $'000
Group					
2015					
Financial liabilities					
Trade and other payables	-	28,288	1,841	-	30,129
Finance lease payables	2.56	17,106	38,983	-	56,089
Bank loans, floating interest rates:					
- revolving loans	1.98	9,154	-	-	9,154
- term loans	2.43	2,294	4,442	8,123	14,859
Trust receipts	2.37	14,594	-	-	14,594
		71,436	45,266	8,123	124,825
Company					
2016					
Other payables	-	103	-	-	103
2015					
Other payables	-	125	-	-	125

The Group's operations are financed mainly through accumulated profits and bank borrowings. Adequate lines of credits are maintained to ensure the necessary liquidity is available when required (Note 18).

The repayment terms of the finance lease and bank borrowings are disclosed in Notes 17 and 18 to these financial statements respectively.

The Company has issued corporate guarantee to several banks for banking facilities granted to subsidiaries. This guarantee is a financial guarantee contract as they require the Company to reimburse the banks if the related party fails to make principal or interest payments when due in accordance with the terms of the facilities drawn. The earliest period that the guarantee could be called is within 1 year (2015: 1 year) from the end of the reporting period. The maximum amount that the Company could be forced to settle under the financial guarantee contract, if the full guaranteed amount is claimed, is $81,492,000 (2015: $89,587,000). The Company considers that it is more likely than not that no amount will be payable under the arrangement.

32. Financial instruments, financial risks and capital management (Continued)

32.4 Capital management policies and objectives

The Group and the Company manages capital to ensure that the Group and the Company is able to continue as a going concern and maintain an optimal capital structure so as to maximise shareholders’ value.

The capital structure of the Group consists of equity attributable to owners of the parent, comprising issued capital and reserves as disclosed in Notes 13 to 15 to the financial statements respectively.

The Group and the Company is in compliance with externally imposed capital requirements which are the bank covenants in relation to the bank borrowings included in Note 18 to the financial statements, for the financial years ended 31 December 2016 and 2015.

The management reviews the capital structure to ensure that the Group and the Company are able to service any debt obligations (including principal repayment and interest) based on its operating cash flows. Upon review, the Group and the Company will balance its overall capital structure through new share issues and the issue of new debt or the redemption of existing debt, if necessary. The Group’s overall strategy remains unchanged from the previous financial year.

The Group and the Company monitor capital based on a gearing ratio, which is net debt divided by total equity plus net debt. The Group and the Company include within net debt, trade and other payables, finance lease payables and borrowings less cash and bank balances. Total equity comprises of share capital and reserves.

	Group		**Company**	
	$’000	**$’000**	**$’000**	**$’000**
Trade and other payables	31,518	31,737	103	125
Finance lease payables	46,503	54,130	-	-
Bank borrowings	34,989	35,457	-	-
Less: Cash and bank balances	(14,313)	(18,809)	(1,196)	(3,065)
Net debt	98,697	102,515	(1,093)	(2,940)
Total equity	57,691	53,314	45,888	38,209
Total capital	156,388	155,829	44,795	35,269
Gearing ratio	63%	66%	N.M.*	N.M.*

* Not meaningful

33. Fair value measurement

33.1 Fair value of financial assets and financial liabilities

Except as disclosed below, the carrying amounts of the Group and the Company's current financial assets and current financial liabilities approximate their respective fair values as at the end of the reporting period due to the relatively short-term maturity of these financial instruments.

The carrying amounts of the Group's non-current financial liabilities in relation to amounts due to Directors and related parties, finance lease payables and bank borrowings approximates their respective fair values as at the end of the reporting period.

Financial instruments carried at fair value classified by level of fair value hierarchy are as follows:

	Recurring fair value measurement using:		
	Level 1	**Level 2**	**Level 3**
	$'000	**$'000**	**$'000**
Group			
31 December 2016			
Assets			
Available-for-sale financial assets			
- quoted debt securities	2,599	-	-
- investments in life insurances	-	-	5,185
Total	2,599	-	5,185
31 December 2015			
Assets			
Available-for-sale financial assets			
- quoted debt securities	3,359	-	-
- investments in life insurances	-	-	4,913
Total	3,359	-	4,913

There were no transfers between levels during the financial year. The financial instruments included in Level 1 are traded in active markets and their fair values are based on quoted market prices at the end of the reporting period.

The fair value measurements categorised within Level 3 includes unobservable inputs that are not developed by the Group.

The fair value of the investment in life insurance is based on the cash value provided by the insurer without adjustment. There have been no changes in the valuation techniques of the various classes of financial instruments during the financial year.

33. Fair value measurement (Continued)

33.2 Fair value of leasehold properties

The fair value of leasehold properties have been determined based on the market comparison approach that reflects most recent transaction prices for similar properties, after adjusting for relevant factors such as land tenure, physical attributes, location and the date of transaction.

Level 3 recurring fair value measurements

(i) Information about significant unobservable inputs used in Level 3 recurring fair value measurements.

The valuation conforms to International Valuation Standards and is based on the assets' highest and best use, which is in line with their actual use. The resulting fair values of leasehold properties are considered level 3 recurring fair value measurements.

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3):

	Fair value	**Valuation techniques**	**Unobservable inputs**	**Relationship of unobservable inputs to fair value**
31 December 2016				
Leasehold properties				
Held for generating operating lease income and own use	23,300,000	Market comparable approach	Yield adjustments	The higher the yield adjustments, the higher the fair value
31 December 2015				
Leasehold properties				
Held for generating operating lease income and own use	24,000,000	Market comparable approach	Yield adjustments	The higher the yield adjustments, the higher the fair value

* The yield adjustments are made for differences in the nature, location, age, condition, tenure, design and layout, dates of transaction and the prevailing economic conditions affecting the property market of the specific property.

(ii) Valuation policies and procedures

Management of the Group oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures.

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts to perform the valuation. Management is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and FRS 113 Fair Value Measurement guidance.

33. Fair value measurement (Continued)

33.2 Fair value of leasehold properties (Continued)

Level 3 recurring fair value measurements (Continued)

(iii) Valuation policies and procedures (Continued)

For valuations performed by external valuation experts, the management reviews the appropriateness of the valuation methodologies and assumptions adopted. The management also evaluates the appropriateness and reliability of the inputs used in the valuations.

Significant changes in fair value measurements from period to period are evaluated by the management for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

33.3 Reconciliation of opening and closing fair value balance

The reconciliation of the opening and closing fair value balance of level 3 financial and non-financial assets are provided below:

- Revalued leasehold properties - property, plant and equipment (Note 4)
- Available-for-sale financial assets (Note 5)

34. Comparative figures

The comparative figures were restated due to an omission of depreciation charge of $1,359,000 on leasehold properties. The effect of the restatement is as follows:

	Group		
	31 December 2015		
	Previously reported	**Effect of restatement**	**As restated**
	$'000	**$'000**	**$'000**
Consolidated statement of financial position			
Other reserves	(18,405)	1,359	(17,046)
Accumulated profits	32,894	(1,359)	31,535
Consolidated statement of comprehensive income			
Cost of sales and services	(103,047)	(975)	(104,022)
Administrative expenses	(18,347)	(384)	(18,731)
Profit before tax	7,298	(1,359)	5,939
Profit for the financial year	6,201	(1,359)	4,842
Gain on revaluation of property, plant and equipment	1,056	1,359	2,415
Other comprehensive income	1,056	1,359	2,425
Profit attributable to owners of the parent	6,410	(1,359)	5,051
Earnings per share			
- Basic and diluted (in cents)	4.23	-	3.34

The above restatement did not result in a change to the total comprehensive income.

The error has no effect on the consolidated statement of financial position as at 1 January 2015. Accordingly, management did not present an additional consolidated statement of financial position at the beginning of the earliest comparative period, being 1 January 2015.

STATISTICS OF SHAREHOLDINGS

As at 16 March 2017

Issued and Fully Paid-Up Capital	:	S$38,676,148
Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per share
Number of Issued and Paid-up Shares	:	151,384,600
Number of Treasury Shares	:	NIL
Number of Subsidiary Holdings	:	NIL

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NUMBER OF SHAREHOLDERS	%	NUMBER OF SHARES	%
1 - 99	–	–	–	–
100 - 1,000	9	5.77	4,700	–
1,001 - 10,000	48	30.77	299,400	0.20
10,001 - 1,000,000	93	59.61	12,041,800	7.95
1,000,001 - and above	6	3.85	139,038,700	91.85
Total	**156**	**100.00**	**151,384,600**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1.	DANDELION CAPITAL PTE. LTD.	121,759,600	80.43
2.	CITIBANK NOMINEES SINGAPORE PTE LTD	7,000,000	4.62
3.	CHONG THIM PHENG	5,537,200	3.66
4.	HONG LEONG FINANCE NOMINEES PTE LTD	2,082,700	1.38
5.	PHILLIP SECURITIES PTE LTD	1,381,600	0.91
6.	MAYBANK KIM ENG SECURITIES PTE. LTD.	1,277,600	0.84
7.	SEOW KUI LIM	1,000,000	0.66
8.	DBS NOMINEES (PRIVATE) LIMITED	995,100	0.66
9.	OCBC SECURITIES PRIVATE LIMITED	631,600	0.42
10.	TAN YAM HON (CHEN YANHUANG)	600,000	0.40
11.	LEE TONG HONG	586,000	0.39
12.	WEN NANFEI	403,000	0.27
13.	CHAN KOK HIANG	370,000	0.24
14.	LESLIE NG ENG HIONG	369,900	0.24
15.	LEE LIAN CHENG	350,000	0.23
16.	TAN AH CHANG	350,000	0.23
17.	LIM WEI KUN NICHOLAS (LIN WEIKUN NICHOLAS)	345,000	0.23
18.	GOH TUCK PENG	250,000	0.17
19.	RAFFLES NOMINEES (PTE) LIMITED	233,200	0.15
20.	CHUANG LEE ENG	222,000	0.15
	TOTAL	**145,744,500**	**96.28**

STATISTICS OF SHAREHOLDINGS

As at 16 March 2017

SUBSTANTIAL SHAREHOLDERS

As recorded in the Register of Substantial Shareholders

	DIRECT INTEREST		DEEMED INTEREST	
NAME	NO. OF SHARES	%	NO. OF SHARES	%
DANDELION CAPITAL PTE. LTD.	121,759,600	80.43	–	–

RULE 723 OF THE CATALIST RULES – FREE FLOAT

Based on the above information and to the best knowledge of the Directors and Substantial Shareholder of the Company, approximately 19.54% of the issued shares of the Company was held in the hands of the public as at 16 March 2017. Accordingly, the Company has complied with Rule 723 of the SGX-ST Listing Manual Section B: Rules of Catalist.

NOTICE OF ANNUAL GENERAL MEETING

(Company Registration No. 201422395Z)
(Incorporated in the Republic of Singapore)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Huationg Global Limited (the "Company") will be held at Bridge Room, Raffles Marina Ltd, 10 Tuas West Drive, Singapore 638404 on Wednesday, 26 April 2017 at 2:00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2016 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final tax exempt dividend of 0.4 Singapore cents per ordinary share for the financial year ended 31 December 2016 **(Resolution 2)**

   (FY2015: interim tax exempt dividend of 0.3 Singapore cents per ordinary share and final tax exempt dividend of 0.3 Singapore cents per ordinary share)

3. To re-elect the following Directors retiring pursuant to Regulation 117 of the Company's Constitution:

   Mr Ng Hai Liong **(Resolution 3)**
   Mr Wee Heng Yi, Adrian **(Resolution 4)**

   Mr Ng Hai Liong will, upon re-election as a Director of the Company, remain as the Executive Chairman of the Board.

   Mr Wee Heng Yi, Adrian will, upon re-election as a Director of the Company, remain as the Chairman of the Nominating Committee, and a member of the Audit Committee and Remuneration Committee of the Company and will be considered independent for the purposes of Rule 704(7) of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist ("Catalist Rules").

4. To approve the payment of Directors' fees of S$125,000 for the financial year ending 31 December 2017, payable half yearly in arrears (2016: S$125,000). **(Resolution 5)**

5. To re-appoint BDO LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 6)**

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

7. **Authority to allot and issue shares in the capital of the Company ("Shares") - Share Issue Mandate**

   "That, pursuant to Section 161 of the Companies Act, Chapter 50. and Rule 806 of the Catalist Rules, authority be and is hereby given to the Directors of the Company to:-

   (a) (i) allot and issue shares in the capital of the Company ("**Shares**") (whether by way of rights, bonus or otherwise); and/or

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

   (b) notwithstanding that the authority conferred by this Resolution may have ceased to be in force, issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution is in force, provided that:-

(1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution), to be issued pursuant to this Resolution does not exceed one hundred per cent (100%) of the total number of issued Shares excluding treasury shares and subsidiary holdings of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to existing shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent (50%) of the total number of issued Shares excluding treasury shares and subsidiary holdings of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculations as may be prescribed by the SGX-ST), for the purpose of determining the aggregate number of Shares that may be issued under sub- paragraph (1) above, the percentage of the total number of issued Shares excluding treasury shares and subsidiary holdings shall be based on the total number of issued Shares excluding treasury shares and subsidiary holdings of the Company at the time this Resolution is passed after adjusting for:-

   (i) new Shares arising from the conversion or exercise of any Instruments or any convertible securities;

   (ii) new Shares arising from exercising of share options or vesting of share awards outstanding and/ or subsisting at the time of the passing of this Resolution, provided that the share options or share awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

   (iii) any subsequent bonus issue, consolidation or sub-division of Shares.

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Regulation for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting, the authority conferred by this Resolution shall continue in force until the conclusion of the next AGM or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier."
[See Explanatory Note (i)] **(Resolution 7)**

8. **Authority to issue shares under the Huationg Employee Share Option Scheme (the "Option Scheme")**

"That pursuant to Section 161 of the Companies Act, Cap. 50 of Singapore, the Directors of the Company be authorised to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options under the Option Scheme provided always that the aggregate number of new shares to be allotted and issued pursuant to the Option Scheme, Huationg Performance Share Plan, and all options granted under any other share option, share incentive, performance share or restricted share plan implemented by the Company shall not exceed 15% of the total number of issued share (excluding treasury shares) in the capital of the Company from time to time, as determined in accordance with the provisions of the Option Scheme."
[See Explanatory Note (ii)] **(Resolution 8)**

9. **Authority to allot and issue shares under the Huationg Performance Share Plan**

"That pursuant to Section 161 of the Companies Act, Cap. 50 of Singapore, the Directors of the Company be authorised and empowered to grant awards in accordance with the provisions of the Huationg Performance Share Plan and to allot and issue from time to time, such number of shares in the capital of the Company as may be required to be issued pursuant to the vesting of awards under the Huationg Performance Share Plan, provided always that the aggregate number of shares issued and issuable pursuant to vesting of awards granted under the Huationg Performance Share Plan, when added to (i) the number of shares issued and issuable in respect of all awards granted or awarded thereunder; and (ii) all shares issued and issuable in respect of all options granted or awards granted under the Option Scheme, all options granted under any other share option, share incentive, performance share or restricted share plan implemented by the Company for the time being in force, shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) of the Company on the day preceding the relevant date of the award."
[See Explanatory Note (iii)] **(Resolution 9)**

By Order of the Board

Gn Jong Yuh Gwendolyn
Company Secretary

Singapore, 11 April 2017

Explanatory Notes:

(i) The Ordinary Resolution 7 proposed in item 7 above, if passed, will empower the Directors from the date of the above AGM until the date of the next AGM, to allot and issue Shares, make or grant instruments convertible into Shares and to issue Shares pursuant to such instruments. The aggregate number of Shares and convertible instruments which the Directors may allot and issue under this Resolution shall not exceed 100% of the total number of issued Shares excluding treasury shares and subsidiary holdings of the Company at the time of passing this Resolution. For allotment and issue of Shares and convertible instruments other than on a pro-rata basis to all shareholders of the Company, the aggregate number of Shares and convertible securities to be allotted and issued shall not exceed 50% of the total number of issued Shares excluding treasury shares and subsidiary holdings of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the next AGM.

For determining the aggregate number of Shares that may be issued, the total number of issued Shares (excluding treasury shares and subsidiary holdings) will be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution 7 is passed and any subsequent bonus issue, consolidation or subdivision of Shares.

(ii) The Ordinary Resolution 8 in item 8 above, if passed, will empower the Directors to issue shares up to an amount in aggregate not exceeding fifteen per centum (15%) of the issued share capital (excluding treasury shares) of the Company pursuant to the Huationg Employee Share Option Scheme which was approved at the Extraordinary General Meeting of the Company on 28 May 2014. This authority is in addition to the general authority to issue shares sought under Ordinary Resolution No. 7.

(iii) The Ordinary Resolution 9 in item 9 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to grant awards under the Huationg Performance Share Plan in accordance with the provisions of the Huationg Performance Share Plan and to allot and issue from time to time such number of fully-paid shares as may be required to be issued pursuant to the vesting of the awards under the Huationg Performance Share Plan subject to the maximum number of shares prescribed under the terms and conditions of the Huationg Performance Share Plan.

The aggregate number of ordinary shares which may be allotted and issued pursuant to the Huationg Performance Share Plan and under any other share incentive scheme or share plan adopted by the Company for the time being in force, is limited to fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) of the Company from time to time. This authority is in addition to the general authority to issue shares sought under Ordinary Resolution No. 7.

NOTICE OF ANNUAL GENERAL MEETING

(Company Registration No. 201422395Z)
(Incorporated in the Republic of Singapore)

Note:

1. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, Chapter 50 (the "**Act**"), a member is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting ("**AGM**"). Where a member appoints more than one proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form.

2. Pursuant to Section 181(1C) of the Act, a member who is a Relevant Intermediary is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

3. A proxy need not be a member of the Company.

4. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.

5. The instrument appointing a proxy or proxies must be deposited at registered office of the Company at **No. 9 Benoi Crescent, Singapore 629972**, not less than 72 hours before the time set for the AGM.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer.

7. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

HUATIONG GLOBAL LIMITED

(Incorporated in Singapore with limited liability)
(Company Registration Number: 201422395Z)

IMPORTANT:

1. Pursuant to Section 181(1C) of the Companies Act, Chapter 50 (the "Act"), Relevant Intermediaries may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. By submitting an instrument appointing a proxy(ies) and/or representative(s), a member accepts and agrees to the personal data privacy terms set out in the Notes to this Proxy Form.

PROXY FORM

I/We, ____ (name) of

____ (address)

being a member/members* of **Huationg Global Limited** (the "**Company**"), hereby appoint:

Name	**NRIC/Passport No.**	**Proportion of Shareholding**	
		No. of Shares	**%**
Address			

and/or*

Name	**NRIC/Passport No.**	**Proportion of Shareholding**	
		No. of Shares	**%**
Address			

or failing him/her*, the Chairman of the Meeting (defined below), as my/our* proxy/proxies* to vote for me/us* on my/our* behalf at the Annual General Meeting ("**AGM**") of the Company to be held at Bridge Room, Raffles Marina Ltd, 10 Tuas West Drive, Singapore 638404 on Wednesday, 26 April 2017 at 2:00 p.m. and at any adjournment thereof.

I/We* direct my/our* proxy/proxies* to vote for or against the Resolutions proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the proxy/proxies* will vote or abstain from voting at his/her* discretion. The authority herein includes the right.

The resolutions put to vote at the AGM shall be decided by poll.

No.	**Ordinary Resolutions relating to:**	**For***	**Against***
1.	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2016		
2.	Payment of proposed first and final dividend of 0.4 Singapore cents per ordinary share		
3.	Re-election of Mr Ng Hai Liong as Director of the Company		
4.	Re-election of Mr Wee Heng Yi, Adrian as Director of the Company		
5.	Approval of Directors' fees amounting to S$125,000 for the financial year ending 31 December 2017, payable half yearly in arrears (2016: S$125,000)		
6.	Re-appointment of BDO LLP as the Company's Auditors and to authorise the Directors to fix their remuneration		
7.	Authority to allot and issue shares in the capital of the Company - Share Issue Mandate		
8.	Authority to allot and issue shares under the Huationg Employee Share Option Scheme		
9.	Authority to allot and issue shares under the Huationg Performance Share Plan		

*Note: If you wish to exercise all your votes "**For**" or "**Against**" the above resolutions, please tick "✓" within the box provided. Otherwise, please indicate the number of votes as appropriate.

Dated this ________ day of __________ 2017

Total Number of Shares Held	
(a) CDP Register	
(b) Register of members	

____

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES:

1. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, Chapter 50 (the "**Act**"), a member is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting ("**AGM**"). Where a member appoints more than one proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form.
2. Pursuant to Section 181(1C) of the Act, a member who is a Relevant Intermediary is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.
3. A proxy need not be a member of the Company.
4. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.
5. The instrument appointing a proxy or proxies must be deposited at registered office of the Company at **No. 9 Benoi Crescent, Singapore 629972**, not less than **72 hours** before the time set for the AGM.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer.
7. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

GENERAL:

The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

A Depositor shall not be regarded as a member of the Company entitled to attend the AGM and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the time set for the AGM.

PERSONAL DATA PRIVACY:

By submitting a proxy form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any AGM laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Fold along this line (1)

AFFIX
STAMP

HUATIONG GLOBAL LIMITED
No.9 Benoi Crescent,
Singapore 629972

Fold along this line (2)

CORPORATE INFORMATION

BOARD OF DIRECTORS

Ng Hai Liong
(Executive Chairman and Executive Director)

Ng Kian Ann Patrick
(Chief Executive Officer and Executive Director)

Ng Kian Yeow, Vincent
(Chief Operating Officer and Executive Director)

Yuen Sou Wai
(Lead Independent Director)

Yen Se-Hua Stewart
(Independent Director)

Wee Heng Yi, Adrian
(Independent Director)

COMPANY SECRETARY

Gn Jong Yuh Gwendolyn

REGISTERED OFFICE

9 Benoi Crescent
Singapore 629972
Tel: (65) 6366 5005
Fax: (65) 6368 1391

SPONSOR

PrimePartners Corporate Finance Pte. Ltd.
16 Collyer Quay
#10-00
Income at Raffles
Singapore 049318

AUDITORS

BDO LLP
Public Accountants and Chartered Accountants
600 North Bridge Road
#23-01 Parkview Square
Singapore 188778
Partner-in-charge: Aw Vern Chun Philip
(a practising member of the
Institute of Singapore Chartered Accountants)
(Appointed since the financial year ended
31 December 2016)

INVESTORS RELATIONS

August Consulting Pte Ltd
101 Thomson Road
#30-02 United Square
Singapore 307591

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

PRINCIPAL BANKERS

DBS Bank Ltd.
12 Marina Boulevard
Marina Bay Financial Centre Tower 3
Singapore 018982

Oversea-Chinese Banking Corporation Limited
65 Chulia Street
OCBC Centre
Singapore 049513

CIMB Bank Berhad
Singapore Land Tower
50 Raffles Place #01-02
Singapore 048623

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Huationg Global Limited

No. 9 Benoi Crescent
Singapore 629972
Tel: (65) 6366 5005
Fax: (65) 6368 1391

www.huationg-global.com