

CORPORATE ► GOVERNANCE REPORT

The Board of Directors (the “**Board**”) and the management (the “**Management**”) of Huatong 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 31 December 2019 (“**FY2019**”), with specific reference made to certain guidelines of the Code of Corporate Governance 2012 (the “**2012 Code**”) as may for the time being be applicable, all the principles and provisions of the Code of Corporate Governance 2018 (the “**2018 Code**”), the Practice Guidance issued by the Monetary Authority of Singapore (the “**MAS**”) in August 2018 (the “**Guide**”) and the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) Listing Manual Section B: Rules of Catalist (“**Catalist Rules**”). In line with the 2018 Code, the 2012 Code and the requirements under Catalist Rules, the Board hereby confirms that the Company has adhered to the principles and provisions of the 2018 Code, the applicable guidelines of the 2012 Code and the Guide, where applicable. Appropriate explanations have been provided in the relevant sections below where there are deviations from the 2018 Code, the 2012 Code and/or the Guide.

PRINCIPLE 1: THE BOARD’S CONDUCT OF AFFAIRS

The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the Company.

Provision 1.1	<p><u>Principal Duties of the Board</u></p> <p>Directors have objectively discharged their duties and responsibilities as fiduciaries in the best interests of the Company and have held Management accountable for performance during FY2019.</p> <p>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 principal functions include:</p> <ul style="list-style-type: none"> ● Overseeing the overall long-term strategic plans and directions 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 and full 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;
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	<ul style="list-style-type: none"> • 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 Catalyst Rules, 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; • Identifying key stakeholder groups and recognising that their perceptions affect the Company's reputation; and • Setting the Company's values and standards (including ethical standards) and ensuring that obligations to Shareholders and other stakeholders are understood and met. <p>The Board has put in place a code of conduct and ethics, which set out a code of conduct and ethical standards for Directors and staff to adhere to, and sets appropriate tone-from-the-top and desired organisational culture, and ensures proper accountability within the Company. Directors who face a conflict of interest recuse themselves from discussions and decisions involving the issues of conflict.</p>
<p>Provision 1.2</p> <p>Catalist Rule 406(3)(a)</p>	<p><u>Induction of Directors</u></p> <p>Directors understand the Company's business as well as their directorship duties, and have appropriate experience and expertise to manage the Group's business.</p> <p>Upon appointment, the Director will receive a letter of appointment setting out their duties and responsibilities.</p> <p>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.</p> <p>Where a new Director has no prior experience as a director of an issuer listed on the SGX-ST, he will undergo training in the roles and responsibilities of a director of a listed issuer as prescribed by the SGX-ST. If the Nominating Committee (the "NC") is of the view that training is not required because the Director has other relevant experience, the basis of the NC's assessment will be disclosed.</p> <p>There were no new directors appointed in FY2019.</p> <p><u>Training and development of Directors</u></p> <p>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.</p>

	<p>Briefings, updates and trainings for the Directors during FY2019 included:</p> <ul style="list-style-type: none"> ● Essential Requirements for Successful Claims for Construction Disruption & Delays; ● Quality and Productivity Seminar 2019; ● ACRA-SGX-SID Audit Committee Seminar 2019 - The Audit Committee in the New Normal; and ● SID Directors Conference - Transformation: From Ordinary to Extraordinary. <p>From time to time, and through Board meetings and other meetings, both formal and informal, our Chief Executive Officer (“CEO”) has been advising our Directors of the relevant new laws and regulations affecting the Group, the changing commercial and business risks faced by our Group.</p> <p>The Directors are also updated regularly with changes to the Catalist Rules, risk management, corporate governance, insider trading and the key changes in the relevant regulatory requirements and financial reporting standards and the relevant laws and regulations to facilitate effective discharge of their fiduciary duties as Board or Board Committees members.</p> <p>New releases issued by the SGX-ST and Accounting and Corporate Regularity (“ACRA”) which are relevant to the Directors are circulated to the Directors.</p> <p>The external auditors also update the Audit Committee (the “AC”) and the Board on the new and revised financial reporting standards that are applicable to the Company and/or the Group.</p>
Provision 1.3	<p><u>Board Approval</u></p> <p>The Group has adopted internal guidelines governing matters that require the Board’s approval and clearly communicates this to Management in writing. The Board approves transactions exceeding certain threshold limits, while delegating authority for transactions below those prescribed limits to Board Committees and specific members of the key management via a structured Delegation of Authority matrix, which is reviewed on a regular basis and accordingly revised when necessary.</p> <p>Matters that require the Board’s approval include, among others, the following:</p> <ul style="list-style-type: none"> ● corporate strategy and business plans; ● material acquisitions and disposals of assets; ● corporate or financial restructuring; ● share issuances, declaration of dividends and other returns to shareholders; ● changes in the composition of the Board; ● budgets, circulars, financial results announcements, annual report and audited financial statements; and ● matters which require Board approval as specified under SGX-ST’s interested person transaction policy.

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<p>Provision 1.4</p> <p>Catalist Rule 1204(10B)</p>	<p><u>Board Committees</u></p> <p>The Board has delegated certain responsibilities to the AC, the Remuneration Committee (the “RC”) and the NC (collectively, the “Board Committees”).</p> <p>The compositions of the Board Committees are as follows:</p> <table border="1"> <thead> <tr> <th></th> <th>AC</th> <th>NC</th> <th>RC</th> </tr> </thead> <tbody> <tr> <td>Yuen Sou Wai (Non-executive / Independent)</td> <td>Chairman</td> <td>Member</td> <td>Member</td> </tr> <tr> <td>Yen Se-Hua Stewart (Non-executive / Independent)</td> <td>Member</td> <td>Member</td> <td>Chairman</td> </tr> <tr> <td>Wee Heng Yi, Adrian (Non-executive / Independent)</td> <td>Member</td> <td>Chairman</td> <td>Member</td> </tr> <tr> <td>Ng Kian Ann Patrick (Executive)</td> <td>–</td> <td>Member</td> <td>–</td> </tr> </tbody> </table> <p>The Board Committees operate within clearly defined written terms of reference setting out their compositions, authorities and duties, including reporting back to the Board. The Board Committees play an important role in ensuring good corporate governance in the Company and within the Group. The written terms of reference of the Board Committees are reviewed on a regular basis to ensure their continued relevance.</p> <p><u>Risk Committee</u></p> <p>The Risk Committee 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”). The Risk Committee operates within clearly defined written terms of reference setting out its compositions, authorities and duties. Half-yearly, at the 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.</p> <p>Further details of the AC, NC and RC are set out below:</p> <ul style="list-style-type: none"> (i) Nominating Committee (Principle 4); (ii) Remuneration Committee (Principle 6); and (iii) Audit Committee (Principle 10). 		AC	NC	RC	Yuen Sou Wai (Non-executive / Independent)	Chairman	Member	Member	Yen Se-Hua Stewart (Non-executive / Independent)	Member	Member	Chairman	Wee Heng Yi, Adrian (Non-executive / Independent)	Member	Chairman	Member	Ng Kian Ann Patrick (Executive)	–	Member	–
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Provision 1.5	<p><u>Board Meetings and Attendance</u></p> <p>The Board meets on a half-yearly basis, and as and when circumstances require to approve matters relating to announcements of, among others, financial results, annual report, material acquisitions and disposals of assets. At the meetings of the Board and Board Committees, Directors actively participate and are free to discuss and openly challenge the views presented by the Management and the other Directors.</p> <p>In FY2019, the number of the Board and Board Committee meetings held and the attendance of each Board member are shown below.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">Board</th> <th style="text-align: center;">AC</th> <th style="text-align: center;">NC</th> <th style="text-align: center;">RC</th> </tr> </thead> <tbody> <tr> <td>Number of meetings held</td> <td style="text-align: center;">3</td> <td style="text-align: center;">5</td> <td style="text-align: center;">1</td> <td style="text-align: center;">1</td> </tr> <tr> <td>Name of Director</td> <td colspan="4" style="text-align: center;">Number of Meetings Attended</td> </tr> <tr> <td>Mr Ng Hai Liong</td> <td style="text-align: center;">3</td> <td style="text-align: center;">5*</td> <td style="text-align: center;">1*</td> <td style="text-align: center;">1*</td> </tr> <tr> <td>Mr Ng Kian Ann Patrick</td> <td style="text-align: center;">3</td> <td style="text-align: center;">5*</td> <td style="text-align: center;">1</td> <td style="text-align: center;">1*</td> </tr> <tr> <td>Mr Ng Kian Yeow, Vincent</td> <td style="text-align: center;">3</td> <td style="text-align: center;">5*</td> <td style="text-align: center;">1*</td> <td style="text-align: center;">1*</td> </tr> <tr> <td>Mr Yuen Sou Wai</td> <td style="text-align: center;">3</td> <td style="text-align: center;">5</td> <td style="text-align: center;">1</td> <td style="text-align: center;">1</td> </tr> <tr> <td>Mr Yen Se-Hua Stewart</td> <td style="text-align: center;">3</td> <td style="text-align: center;">5</td> <td style="text-align: center;">1</td> <td style="text-align: center;">1</td> </tr> <tr> <td>Mr Wee Heng Yi, Adrian</td> <td style="text-align: center;">2</td> <td style="text-align: center;">4</td> <td style="text-align: center;">1</td> <td style="text-align: center;">1</td> </tr> </tbody> </table> <p><i>* By invitation</i></p> <p>Directors with multiple board representations have ensured that sufficient time and attention were given to the affairs of the Company in FY2019.</p>		Board	AC	NC	RC	Number of meetings held	3	5	1	1	Name of Director	Number of Meetings Attended				Mr Ng Hai Liong	3	5*	1*	1*	Mr Ng Kian Ann Patrick	3	5*	1	1*	Mr Ng Kian Yeow, Vincent	3	5*	1*	1*	Mr Yuen Sou Wai	3	5	1	1	Mr Yen Se-Hua Stewart	3	5	1	1	Mr Wee Heng Yi, Adrian	2	4	1	1
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Provision 1.6	<p><u>Access to Information</u></p> <p>The Management provides Directors with complete, adequate and timely information prior to Board and Board Committee meetings and on an on-going basis to enable them to make informed decisions and discharge their duties and responsibilities.</p> <p>The Directors are regularly updated by the Management on the developments within the Group and are supplied with such other information so that they are equipped to participate fully at Board and Board Committee meetings.</p>																																													

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<p>Provision 1.7</p>	<p><u>Access to Management and Company Secretary</u></p> <p>Directors have separate and independent access to Management, the Company Secretary, and external advisers (where necessary) at the Company's expense.</p> <p>The role of the Company Secretary, the appointment and removal of whom is a matter for the Board as a whole, is as follows:</p> <ul style="list-style-type: none"> • 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; • assisting the Chairman and the Board to implement and strengthen corporate governance practices, with a view to enhancing long-term shareholder value; • assisting 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, assisting to ensure coordination and liaison between the Board, the Board Committees and key management personnel; and • assisting 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.
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PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

<p>Provisions 2.1 & 4.4</p> <p>Catalist Rule 406(3)(d)</p>	<p><u>Independent Directors</u></p> <p>As at the date of this Corporate Governance report, the three (3) 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.</p> <p>In determining the independence of the Independent Directors, the Board takes into account the existence of relationships or circumstances, including those identified by the 2018 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.</p> <p>The NC has reviewed and confirmed the independence of the Independent Directors in accordance with the 2018 Code, Practice Guidance and the Catalist Rules.</p> <p>The Board, with the recommendation and concurrence of the NC, has reviewed and determined that the Independent Directors are independent.</p> <p>There are no Directors who are deemed independent by the Board, notwithstanding the existence of a relationship as stated in the 2018 Code or the Catalist Rules that would otherwise deem him not to be independent.</p>
<p>Guideline 2.4 of the 2012 Code</p>	<p>None of the Independent Directors have served beyond nine years since the date of his first appointment.</p>
<p>Guideline 2.1 of the 2012 Code¹</p>	<p>There is a strong and independent element on the Board, with Independent Directors making up at least one-third of the Board.</p>
<p>Provision 2.3</p>	<p><u>Proportion of non-executive directors</u></p> <p>As at the date of this Corporate Governance report, Non-Executive Directors do not make up a majority of the Board.</p> <p>The Company is currently re-assessing the Board composition to comply with Provision 2.3 of the 2018 Code and will endeavour to comply with Provision 2.3 for the financial year ending 31 December 2020.</p>

¹ Rule 406(3)(c) of the SGX Listing Rules (Catalist) requires independent directors to make up at least one-third of the Board. This rule will come into effect on 1 January 2022. Prior to 1 January 2022, the corresponding Guideline 2.1 of the 2012 Code of Corporate Governance will continue to apply. Guideline 2.1 of the 2012 Code of Corporate Governance states that there should be a strong and independent element on the Board, with independent directors making up at least one-third of the Board.

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<p>Provision 2.4</p> <p>Catalist Rule 1204(10B)</p>	<p><u>Board Composition</u></p> <p>As at the date of this Corporate Governance Report, the Board comprises of three (3) Executive Directors and three (3) Independent Directors. The key information of the Directors is set out as follows:</p> <table border="1"> <thead> <tr> <th>Name of Director</th> <th>Designation</th> </tr> </thead> <tbody> <tr> <td>Mr Ng Hai Liong</td> <td>Executive Chairman</td> </tr> <tr> <td>Mr Ng Kian Ann Patrick</td> <td>Executive Director and CEO</td> </tr> <tr> <td>Mr Ng Kian Yeow, Vincent</td> <td>Executive Director and Chief Operating Officer ("COO")</td> </tr> <tr> <td>Mr Yuen Sou Wai</td> <td>Lead Independent Director</td> </tr> <tr> <td>Mr Yen Se-Hua Stewart</td> <td>Independent Director</td> </tr> <tr> <td>Mr Wee Heng Yi, Adrian</td> <td>Independent Director</td> </tr> </tbody> </table> <p><u>Board Composition and Diversity</u></p> <p>The Board and Board Committees are of an appropriate size, and comprise Directors who as a group provide the appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age, so as to avoid groupthink and foster constructive debate.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>The current Board composition provides a diversity of skills, experience and knowledge to the Company as follows:</p> <table border="1"> <thead> <tr> <th>Core Competencies</th> <th>Number of Directors</th> <th>Proportion of Board</th> </tr> </thead> <tbody> <tr> <td>Accounting or finance</td> <td>2</td> <td>33%</td> </tr> <tr> <td>Project management</td> <td>3</td> <td>50%</td> </tr> <tr> <td>Legal or corporate governance</td> <td>2</td> <td>33%</td> </tr> <tr> <td>Engineering</td> <td>3</td> <td>50%</td> </tr> <tr> <td>Strategic planning experience</td> <td>6</td> <td>100%</td> </tr> <tr> <td>Customer based experience or knowledge</td> <td>5</td> <td>83%</td> </tr> </tbody> </table>	Name of Director	Designation	Mr Ng Hai Liong	Executive Chairman	Mr Ng Kian Ann Patrick	Executive Director and 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	Core Competencies	Number of Directors	Proportion of Board	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%
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	<p>The Board has taken the following steps to maintain or enhance its balance and diversity:</p> <ul style="list-style-type: none"> • 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. <p>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.</p>
Provision 2.5	<p><u>Meeting of Independent Directors without Management</u></p> <p>The Independent Directors, led by the Lead Independent Director, met once without the presence of key management personnel in FY2019. The Lead Independent Director provided feedback to the Board and/or Chairman as appropriate.</p>

PRINCIPLE 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER

There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Provisions 3.1 & 3.2	<p><u>Role of Chairman and the CEO</u></p> <p>Mr Ng Hai Liong is the Chairman of the Board and is an Executive Director. Mr Ng Kian Ann Patrick is the CEO.</p> <p>The roles of the Chairman and CEO in the Company are separate.</p> <p>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.</p> <p>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.</p> <p>The Board has established and set out in writing the division of responsibilities between the Chairman and CEO.</p>
Catalist Rule 1204(10A)	<p>The Chairman, Mr Ng Hai Liong, is the father to the CEO, Mr Ng Kian Ann Patrick. 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.</p>

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Provision 3.3	<p><u>Appointment of Lead Independent Director</u></p> <p>The Board has a Lead Independent Director, Mr Yuen Sou Wai, to provide leadership in situations where the Chairman is conflicted. The Lead Independent Director attended the annual general meeting for the FY2018 held in 2019 and made himself available to Shareholders. There was no other general meetings held in FY2019.</p>
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PRINCIPLE 4: BOARD MEMBERSHIP

The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

<p>Provision 4.1</p> <p>Catalist Rule 406(3)(e)</p>	<p><u>NC Role</u></p> <p>The NC is guided by key terms of reference as follows:</p> <ul style="list-style-type: none"> (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, the appointment and/or replacement of the Chairman, the CEO and key management personnel; and (g) recommending training and professional development programs for the Board.
Provision 4.2	<p><u>NC Composition</u></p> <p>The NC comprises four (4) Directors, of whom three (3) are Independent Directors. The Lead Independent Director is one of the members of the NC.</p> <p>Please refer to Provision 1.4 above on the names of the members and the composition of the NC.</p>

Provision 4.3	<p><u>Process for Selection, Appointment and Re-appointment of Directors</u></p> <p>The process for the selection, appointment and re-appointment of Directors takes into consideration the composition and progressive renewal of the Board, as well as each Director’s competencies, commitment, contribution and performance.</p> <p>The Company’s process for the selection and appointment of Directors to the Board are set out below:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 5%; text-align: center; vertical-align: top;">1.</td> <td style="width: 30%; padding: 5px;">Determination of selection criteria</td> <td style="padding: 5px;">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 style="text-align: center; vertical-align: top;">2.</td> <td style="padding: 5px;">Search for suitable candidates</td> <td style="padding: 5px;">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 style="text-align: center; vertical-align: top;">3.</td> <td style="padding: 5px;">Assessment of shortlisted candidates</td> <td style="padding: 5px;">The NC would meet and interview the shortlisted candidates to assess their suitability.</td> </tr> <tr> <td style="text-align: center; vertical-align: top;">4.</td> <td style="padding: 5px;">Appointment of Director</td> <td style="padding: 5px;">The NC would recommend the selected candidate to the Board for consideration and approval.</td> </tr> </table> <p>The Company’s process for the assessment and re-appointment of Directors to the Board are set out below:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 5%; text-align: center; vertical-align: top;">1.</td> <td style="width: 30%; padding: 5px;">Assessment of Director</td> <td style="padding: 5px;">The NC would assess the performance of the Director in accordance with the performance criteria set by the Board and consider the current needs of the Board.</td> </tr> <tr> <td style="text-align: center; vertical-align: top;">2.</td> <td style="padding: 5px;">Re-appointment of Director</td> <td style="padding: 5px;">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>	1.	Determination of selection criteria	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.	2.	Search for suitable candidates	The NC would consider candidates proposed by the Directors, key management personnel or substantial shareholders, and may engage external search consultants where necessary.	3.	Assessment of shortlisted candidates	The NC would meet and interview the shortlisted candidates to assess their suitability.	4.	Appointment of Director	The NC would recommend the selected candidate to the Board for consideration and approval.	1.	Assessment of Director	The NC would assess the performance of the Director in accordance with the performance criteria set by the Board and consider the current needs of the Board.	2.	Re-appointment of Director	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.
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<p>Catalist Rule 720(4)</p>	<p>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) have retired from office by rotation, being one third of those who have been longest in office since their last re-election at the annual general meeting in FY2019. The retiring Directors submitted themselves for re-nomination and re-election. Newly appointed Directors are required to submit themselves for re-election. There were no newly appointed Directors to be submitted for re-election in FY2019.</p> <p>In FY2019, all Directors have submitted themselves for re-nomination and re-election at least once every three (3) years.</p> <p>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.</p> <p>Mr Ng Hai Liong will upon re-appointment as a Director of the Company, remain as Executive Chairman of the Company. Mr Ng Hai Liong is deemed interested in the 121,759,600 ordinary shares (or 80.43%) of the Company held by Dandelion Capital Pte. Ltd. ("Dandelion") by virtue of his 17% shareholdings in Dandelion. He is the father of Mr Ng Kian Ann Patrick, the Company's Executive Director and CEO and Mr Ng Kian Yeow, Vincent, the Company's Executive Director and COO.</p> <p>Mr Wee Heng Yi, Adrian, will upon re-appointment as a Director of the Company, remain as the Independent Director, Chairman of the NC and a member of the RC and the AC. The Board considers Mr Wee Heng Yi, Adrian, to be independent for the purposes of Rule 704(7) of the Catalist Rules.</p> <p>Save as disclosed, neither Mr Ng Hai Liong nor Mr Wee Heng Yi, Adrian, has any other material relationships (including family relationships) between themselves and the Directors, the Company or its substantial shareholders.</p> <p>Mr Wee Heng Yi, Adrian, being a Chairman of the NC, who is retiring at the AGM, abstained from voting on the resolution in respect of his re-nomination as a Director of the Company.</p>
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Provision 4.5	<p><u>Directors' Time Commitments</u></p> <p>The NC ensured that new Directors were aware of their duties and obligations. The NC also reviewed whether a Director is able to and has been adequately carrying out his or her duties as a Director of the Company.</p> <p>The considerations in assessing the capacity of Directors include the following:</p> <ul style="list-style-type: none"> ● 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. <p>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 FY2019.</p> <p>Please refer to Board of Directors section for key information on the directorship and principal commitments.</p> <p>In FY2019, 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.</p> <p>The measures and evaluation tools in place to assess the performance and consider competing time commitments of the Directors include the following:</p> <ul style="list-style-type: none"> ● 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. <p>Nevertheless, if the NC finds that time commitment is lacking from any particular Director, the NC may consider imposing a cap in the future.</p>
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► CORPORATE GOVERNANCE REPORT

PRINCIPLE 5: BOARD PERFORMANCE

The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

Provision 5.1	<p><u>Board Evaluation Process</u></p> <p>The NC is tasked with the assessment of the Board’s performance, and reviews and evaluates the performance of the Board as a whole, each Board Committee, the contribution by the Chairman and each individual Director on an annual basis. The NC also recommends for the Board’s approval the objective performance criteria and process for the abovementioned evaluation. The evaluation is conducted annually to identify areas of improvement and as a form of good Board practices.</p>									
Provision 5.2	<p><u>Board Evaluation Criteria</u></p> <p>The performance criteria, as recommended by the NC and approved by the Board, is set out below:</p> <table border="1" data-bbox="470 896 1426 1585"> <thead> <tr> <th data-bbox="470 896 742 974">Performance Criteria</th> <th data-bbox="742 896 1082 974">Board and Board Committees</th> <th data-bbox="1082 896 1426 974">Individual Directors</th> </tr> </thead> <tbody> <tr> <td data-bbox="470 974 742 1276">Qualitative</td> <td data-bbox="742 974 1082 1276"> <ol style="list-style-type: none"> 1. Size and composition 2. Access to information 3. Board processes 4. Strategic planning 5. Board accountability 6. Risk management </td> <td data-bbox="1082 974 1426 1276"> <ol style="list-style-type: none"> 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 data-bbox="470 1276 742 1585">Quantitative</td> <td data-bbox="742 1276 1082 1585"> <ol style="list-style-type: none"> 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. Return on Assets </td> <td data-bbox="1082 1276 1426 1585"> <ol style="list-style-type: none"> 1. Attendance at Board and Board Committee meetings </td> </tr> </tbody> </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 FY2019 as compared to the previous financial year as the economic climate, Board composition, the Group’s principal business activities remained relatively the same since FY2018.</p>	Performance Criteria	Board and Board Committees	Individual Directors	Qualitative	<ol style="list-style-type: none"> 1. Size and composition 2. Access to information 3. Board processes 4. Strategic planning 5. Board accountability 6. Risk management 	<ol style="list-style-type: none"> 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 	Quantitative	<ol style="list-style-type: none"> 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. Return on Assets 	<ol style="list-style-type: none"> 1. Attendance at Board and Board Committee meetings
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	<p><u>Board Evaluation Process</u></p> <p>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.</p> <p>For FY2019, the review process was as follows:</p> <ol style="list-style-type: none"> 1. all Directors collectively as a whole completed a Board evaluation questionnaire on the effectiveness of the Board and the Board Committees based on criteria disclosed in the table above; 2. all Directors completed the individual directors' evaluation form and presented to the NC Chairman; and 3. the NC discussed the Board evaluation and individual Directors evaluation and concluded the performance results during the NC meeting. <p>All NC members have abstained from the voting or review process of any matters in connection with the assessment of his performance.</p> <p>The NC, having reviewed the overall performance of the Board, Board Committees and each individual Director, is of the view that the Board and its Board Committees operate effectively and each director has contributed to the overall effectiveness of the Board.</p> <p>No external facilitator was used in the evaluation process for FY2019.</p>
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PRINCIPLE 6: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

<p>Provisions 6.1 & 6.3</p> <p>Catalist Rule 406(3)(e)</p>	<p><u>RC Role</u></p> <p>The RC is guided by key terms of reference to review and provide recommendations to the Board on the following:</p> <ol style="list-style-type: none"> (a) review and recommend to the Board a general framework of remuneration and specific remuneration packages for each 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 Huatong Employee Share Option Scheme ("ESOS") and the Huatong 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;
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► CORPORATE GOVERNANCE REPORT

	<p>(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</p> <p>(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.</p>
Provision 6.2	<p><u>RC Composition</u></p> <p>The RC comprises three (3) Directors, of which all are Non-Executive and Independent Directors.</p> <p>Please refer to Provision 1.4 above on the names of the members and the composition of the RC.</p>
Provision 6.4	No remuneration consultants were engaged by the Company in FY2019.

PRINCIPLE 7: LEVEL AND MIX OF REMUNERATION

The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the Company.

Provisions 7.1 & 7.3	<p><u>Remuneration of Executive Directors and KMPS</u></p> <p>The RC has structured remuneration packages for Executive Directors and key management personnel to take into account performance related indicators, which include financial and non-financial factors. It is structured to link a significant and appropriate proportion of rewards to the Company and individual performance.</p> <p>The remuneration framework for Directors and key management personnel is aligned with the interests of the shareholders and other relevant stakeholders and appropriate to attract, retain and motivate them to provide good stewardship of the Company for the long-term success of the Company.</p> <p>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.</p> <p>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.</p>
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Provision 7.2	<p><u>Remuneration of Non-Executive and Independent Directors</u></p> <p>The remuneration of Non-Executive and Independent Directors is appropriate to the level of contribution, taking into account factors such as credentials, qualifications, experience, effort, time spent and responsibilities and contribution to the Board.</p> <p>Their remunerations are subject to shareholders' approval at the AGM. Directors' fees are recommended by the Board and are subject to the approval of Shareholders at the forthcoming AGM. The Non-Executive and Independent Directors shall not be over-compensated to the extent that their independence may be compromised.</p>
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PRINCIPLE 8: DISCLOSURE ON REMUNERATION

The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Provision 8.1	<p><u>Remuneration of Directors</u></p> <p>The breakdown for the remuneration of the Directors for FY2019 is as follows (No Director or any of his associates has been involved in deciding his own remuneration):</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Name of Director / Remuneration Band</th> <th style="text-align: center;">Salary and allowance* (%)</th> <th style="text-align: center;">Annual Wage Supplement ("AWS") (%)</th> <th style="text-align: center;">Performance Bonus (%)</th> <th style="text-align: center;">Directors Fees (%)</th> <th style="text-align: center;">Total (%)</th> </tr> </thead> <tbody> <tr> <td colspan="6" style="text-align: center;"><i>S\$500,000 to S\$750,000</i></td> </tr> <tr> <td>Ng Kian Ann Patrick</td> <td style="text-align: center;">86.1</td> <td style="text-align: center;">6.5</td> <td style="text-align: center;">7.4</td> <td style="text-align: center;">–</td> <td style="text-align: center;">100.0</td> </tr> <tr> <td>Ng Kian Yeow, Vincent</td> <td style="text-align: center;">86.2</td> <td style="text-align: center;">6.5</td> <td style="text-align: center;">7.3</td> <td style="text-align: center;">–</td> <td style="text-align: center;">100.0</td> </tr> <tr> <td colspan="6" style="text-align: center;"><i>S\$250,000 to S\$500,000</i></td> </tr> <tr> <td>Ng Hai Liong</td> <td style="text-align: center;">87.1</td> <td style="text-align: center;">6.5</td> <td style="text-align: center;">6.4</td> <td style="text-align: center;">–</td> <td style="text-align: center;">100.0</td> </tr> <tr> <td colspan="6" style="text-align: center;"><i>S\$250,000 and below</i></td> </tr> <tr> <td>Yuen Sou Wai</td> <td style="text-align: center;">–</td> <td style="text-align: center;">–</td> <td style="text-align: center;">–</td> <td style="text-align: center;">100.0</td> <td style="text-align: center;">100.0</td> </tr> <tr> <td>Yen Se-Hua Stewart</td> <td style="text-align: center;">–</td> <td style="text-align: center;">–</td> <td style="text-align: center;">–</td> <td style="text-align: center;">100.0</td> <td style="text-align: center;">100.0</td> </tr> <tr> <td>Wee Heng Yi, Adrian</td> <td style="text-align: center;">–</td> <td style="text-align: center;">–</td> <td style="text-align: center;">–</td> <td style="text-align: center;">100.0</td> <td style="text-align: center;">100.0</td> </tr> </tbody> </table> <p>*These amounts are inclusive of employer's CPF contribution and transport allowances.</p> <p>After reviewing the industry practice and analysing 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 or key management personnel.</p>	Name of Director / Remuneration Band	Salary and allowance* (%)	Annual Wage Supplement ("AWS") (%)	Performance Bonus (%)	Directors Fees (%)	Total (%)	<i>S\$500,000 to S\$750,000</i>						Ng Kian Ann Patrick	86.1	6.5	7.4	–	100.0	Ng Kian Yeow, Vincent	86.2	6.5	7.3	–	100.0	<i>S\$250,000 to S\$500,000</i>						Ng Hai Liong	87.1	6.5	6.4	–	100.0	<i>S\$250,000 and below</i>						Yuen Sou Wai	–	–	–	100.0	100.0	Yen Se-Hua Stewart	–	–	–	100.0	100.0	Wee Heng Yi, Adrian	–	–	–	100.0	100.0
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Remuneration of key management personnel

The Company has 4 key management personnel (who are not also Directors or the CEO) during the FY2019. The total remuneration paid to the top 4 key management personnel (who are not also Directors or the CEO) for FY2019 was S\$622,000.

The breakdown for the remuneration of the Company's key management personnel (who are not Directors or the CEO) for FY2019 is as follows:

Name of key executives/ remuneration#	Designation	Salary and allowance* (%)	AWS/ Bonus (%)	Total (%)
S\$250,000 and below				
Karen Ji Cuihua	CFO	87.0	13.0	100.0
Khin Maung Tun @ Lim Ming Hwee^	Project Manager	96.8	3.2	100.0
Heng Yann Syin	Senior Contract Administrator	77.4	22.6	100.0
Teo Bee Chin	Accountant	82.6	17.4	100.0

* These amounts are inclusive of employer's CPF contribution, transport allowances.

^ Mr Khin has resigned as a Project Manager with effect from 31 March 2020.

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 2018 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. The Board is of the opinion that the information disclosed in this Corporate Governance report strikes an appropriate balance between detailed disclosure and confidentiality.

Performance conditions

The following performance conditions were implemented 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:

Performance Conditions	Short-term Incentives (such as performance bonus)	Long-term Incentives (such as the Employee Share Option Scheme and the Performance Share Plan)
Qualitative	<ol style="list-style-type: none"> Leadership People development Commitment Teamwork Current market and industry practices Macro-economic factors 	<ol style="list-style-type: none"> Group's major project or developments Current market and industry practices
Quantitative	PBT of at least S\$4 million for Executive Directors	

The RC has reviewed and is satisfied that the performance conditions were fulfilled for FY2019.

Provision 8.2	<p><u>Remuneration of immediate family members of Directors and CEO</u></p> <p>(remuneration amounts exceed \$100,000 per annum)</p> <p>Save as disclosed below, there are no other employees who are substantial shareholders of the Company, or are immediate family members of a Director, the CEO or a substantial shareholder of the Company, and whose remuneration exceeds S\$100,000 during FY2019.</p> <p>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 FY2019.</p>																				
Provision 8.3	<p><u>Remuneration, payments and benefits to Executive Directors</u></p> <p>The remuneration received by each of the Executive Directors takes into consideration his individual performance and contribution towards the overall performance of the Group in FY2019.</p> <p>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:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">PBT</th> <th style="text-align: center;">Mr Ng Hai Liong (Executive Chairman)</th> <th style="text-align: center;">Mr Ng Kian Ann Patrick (CEO)</th> <th style="text-align: center;">Mr Ng Kian Yeow, Vincent (COO)</th> </tr> </thead> <tbody> <tr> <td>Less than S\$4.0 million</td> <td style="text-align: center;">Nil</td> <td style="text-align: center;">Nil</td> <td style="text-align: center;">Nil</td> </tr> <tr> <td>Exceeds S\$4.0 million but does not exceed or equal to S\$6.0 million</td> <td style="text-align: center;">2.0% of the amount in excess of S\$4.0 million</td> <td style="text-align: center;">3.5% of the amount in excess of S\$4.0 million</td> <td style="text-align: center;">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 style="text-align: center;">S\$40,000 and 2.5% of the amount in excess of S\$6.0 million</td> <td style="text-align: center;">S\$70,000 and 4.0% of the amount in excess of S\$6.0 million</td> <td style="text-align: center;">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 style="text-align: center;">S\$90,000 and 3.0% of the amount in excess of S\$8.0 million</td> <td style="text-align: center;">S\$150,000 and 4.5% of the amount in excess of S\$8.0 million</td> <td style="text-align: center;">S\$138,000 and 4.2% of the amount in excess of S\$8.0 million</td> </tr> </tbody> </table>	PBT	Mr Ng Hai Liong (Executive Chairman)	Mr Ng Kian Ann Patrick (CEO)	Mr Ng Kian Yeow, Vincent (COO)	Less than S\$4.0 million	Nil	Nil	Nil	Exceeds S\$4.0 million but does not exceed or equal to S\$6.0 million	2.0% of the amount in excess of S\$4.0 million	3.5% of the amount in excess of S\$4.0 million	3.2% of the amount in excess of S\$4.0 million	Exceeds S\$6.0 million but does not exceed or equal to S\$8.0 million	S\$40,000 and 2.5% of the amount in excess of S\$6.0 million	S\$70,000 and 4.0% of the amount in excess of S\$6.0 million	S\$64,000 and 3.7% of the amount in excess of S\$6.0 million	Exceeds S\$8.0 million	S\$90,000 and 3.0% of the amount in excess of S\$8.0 million	S\$150,000 and 4.5% of the amount in excess of S\$8.0 million	S\$138,000 and 4.2% of the amount in excess of S\$8.0 million
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	<p><u>Remuneration, payments and benefits to key management personnel</u></p> <p>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 FY2019.</p> <p><u>Employee share scheme</u></p> <p>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").</p> <p>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.</p> <p>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 total number of issued shares (excluding treasury shares and subsidiary holdings of the Company) 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.</p> <p>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 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.</p> <p>There were no share awards or share options granted to any participant under any of the Share-Based Incentive Plans in FY2019.</p>
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PRINCIPLE 9: ACCOUNTABILITY AND AUDIT – RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

Provision 9.1	<p><u>Risk assessment and evaluation</u></p> <p>Risk assessment and evaluation, which determines the nature and extent of the significant risks which the Company is willing to take in achieving its strategic objectives and value creation, has become an essential part of the business planning and monitoring process. To address this, the Board has set up a Risk Committee 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.</p> <p>Nevertheless, the Board acknowledges that it is responsible for the governance of risks and the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against the occurrence of material errors or poor judgment in decision-making.</p> <p>The Group has put in place a documentation on its risk profile which summarises the material risks faced by the Group and the counter measures in place to manage or mitigate those risks for the review by the Board at least annually.</p> <p>The External Auditors have highlighted certain areas for improvement to achieve timely financial reporting close process. The AC has taken immediate steps to have oversight of this by working closely with the CFO and Management to improve the process and the CFO and Management are required to update the AC on a regular basis.</p> <p>Save for the above, 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 FY2019.</p> <p>The bases for the Board's view are as follows:</p> <ul style="list-style-type: none"> (i) assurance has been received from the CEO and CFO; (ii) an internal audit has been done by the internal auditor (the "IA") (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; (iii) key management personnel regularly evaluates, monitors and reports to the AC and the Board on material risks; (iv) 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; (v) discussions were held between the AC and auditors in the absence of the key management personnel to review and address any potential concerns; and (vi) an enterprise risk management framework was established to identify, manage and mitigate significant risks.
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► CORPORATE GOVERNANCE REPORT

<p>Provision 9.2</p>	<p><u>Assurance from the CEO, CFO, EA and IA</u></p> <p>The Board has obtained assurance from the CEO and CFO that in FY2019:</p> <p>(i) the financial records have been properly maintained and the financial statements given are true and fair view of the Company's operations and finances; and</p> <p>(ii) the Company's risk management and internal control systems are adequate and effective.</p> <p>The Board has further relied on the independent auditor's 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 finances.</p> <p>The Board has also relied on the reports of the IA's examination of the Company's system of internal control and risk management as assurance that the Company's risk management and internal control system are effective.</p>
<p>Catalist Rule 1204(10)</p>	<p><u>Confirmation of adequacy of internal controls</u></p> <p>Save as mentioned under Provision 9.1, taking into account the nature and size of the Group's business and operations, the Board, with the concurrence of the AC, are of the opinion that the internal controls and risk management are adequate and effective to address the financial, operational, compliance and information technology risks and risk management systems based on the following:</p> <ul style="list-style-type: none"> • 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.

PRINCIPLE 10: AUDIT COMMITTEE

The Board has an Audit Committee which discharges its duties objectively.

<p>Provision 10.1</p> <p>Catalist Rule 406(3)(e)</p>	<p><u>Duties and Functions of the AC</u></p> <p>The duties and functions of the AC include the following:</p> <ul style="list-style-type: none"> (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 assurance from the CEO and CFO on the financial records and financial statements; (d) 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; (e) 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); (f) review the scope and results of the external audit, and the adequacy, effectiveness, independence and objectivity of the EA and IA; (g) 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; (h) 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; (i) 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 announcements relating to the Group’s financial performance before their submission to the Board; (j) to review and report to the Board at least annually the adequacy and effectiveness of the Group’s material internal controls and risk management systems with the CFO and the IA and EA, including financial, operation, compliance and information technology controls via reviews carried out by the IA; (k) review and approve transactions falling within the scope of Chapter 9 and Chapter 10 of the Catalist Rules (if any);
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► CORPORATE GOVERNANCE REPORT

	<p>(l) review any potential conflicts of interest;</p> <p>(m) review and approve all hedging policies and instruments (if any) to be implemented by the Group;</p> <p>(n) 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;</p> <p>(o) 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</p> <p>(p) generally to undertake such other functions and duties as may be required by statute or the Catalist Rules, and by such amendments made thereto from time to time.</p> <p><u>Changes to accounting standards and issues</u></p> <p>In FY2019, the AC was provided with information such as updates on the changes to the Singapore 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.</p> <p><u>Whistle-blowing policy</u></p> <p>The AC reviews the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on.</p> <p>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, such as suspected fraud, corruption, dishonest practices etc. The policy defines the processes clearly to ensure independent investigation of such matters and permits whistle blowers to submit complaints confidentially or anonymously 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 members of the Audit Committee, of which all are Non-Executive and Independent Directors.. 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, and if it deems appropriate, may engage independent advisors at the Company's expense for the purpose of resolving the complaint. Findings from any investigations shall be reported to the AC for their further actions.</p> <p>As of the date of this Corporate Governance Report, there were no whistle-blowing reports received in FY2019 by the whistle-blowing committee.</p>
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Provision 10.2	<p><u>AC Composition</u></p> <p>The AC comprises three (3) Directors, of which all are Non-Executive and Independent Directors. The AC Chairman, Mr Yuen Sou Wai, is an Independent Director.</p> <p>Please refer to Provision 1.4 above on the names of the members and the composition of the AC.</p> <p>The Board considers Mr Yuen Sou Wai, who has extensive and practical accounting and financial management knowledge and experience, well qualified to chair the AC. The members of the AC collectively have strong accounting and related financial management expertise or experience and are appropriately qualified to discharge their responsibilities.</p>
Provision 10.3	<p>None of the AC members were previous partners or directors of the Company's existing auditing firm or auditing corporation of the Company: (a) within the previous 2 years commencing on the date of their ceasing to be a partner or director of the auditing firm or corporation, and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation.</p>
Provision 10.4 Catalist Rule 719(3) Catalist Rule 1204(10C)	<p><u>Internal Audit</u></p> <p>The Company's internal audit function is outsourced to Nexia TS Risk Advisory Pte. Ltd. that reports directly to the AC.</p> <p>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 annually to ensure the adequacy of the scope of audit and assess whether there are adequate resources for the IAs to perform and discharge its functions during the financial year, whether the proposed work plan is aligned with the risk management framework of the Company and also the overall effectiveness of IA.</p> <p>The internal audit function adheres 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 is therefore staffed with persons with the relevant qualifications and experience.</p> <p>The internal audit function has unfettered access to all the Company's documents, records, properties and personnel, including access to the AC, and has appropriate standing within the Company.</p> <p>The AC is of the view that the Company's internal audit function is effective, adequately resourced and independent of the activities it audits.</p>
Provision 10.5	<p><u>Meeting Auditors without the Management</u></p> <p>The AC has met with the Company's external auditors and internal auditors without the presence of Management during FY2019 to discuss on the findings and results of the audit, as well as review and address any concerns if any.</p>

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PRINCIPLE 11: SHAREHOLDER RIGHTS AND ENGAGEMENT – SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

The Company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The Company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

<p>Provision 11.1 & Provision 11.2</p>	<p><u>Conduct of General Meetings</u></p> <p>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.</p> <p>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.</p> <p>The Company provided necessary information on the resolutions to enable Shareholders to exercise their vote on an informed basis in FY2019. The Company tabled separate resolutions at general meetings of shareholders on each substantially separate issue unless the issues are interdependent and linked so as to form one significant proposal.</p>
<p>Provision 11.3</p>	<p><u>Interaction with Shareholders</u></p> <p>At general meetings of the Company, shareholders are given the opportunity to communicate their views and are encouraged to ask the directors and the Management questions regarding matters affecting the Group. Mr Ng Hai Liong, the Executive Chairman could not attend the last AGM because he had plans prior to the Board's decision to convene the AGM on 14 June 2019. Unfortunately, as the Company had rescheduled its AGM, the AGM could not be re-scheduled again to accommodate the Chairman's schedule. He has expressed his apologies for his absence at the AGM. The other members of the Board were present at the last AGM. All directors will endeavour to be present at the Company's forthcoming 2020 AGM to address shareholders' questions relating to the work of these Committees. There were no other general meetings held in FY2019.</p> <p>The EA was also present at the AGM in FY2019 to address shareholders' queries about the conduct of audit and the preparation and content of the auditor's report.</p>
<p>Provision 11.4</p>	<p><u>Shareholders' Participation</u></p> <p>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.</p> <p>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.</p> <p>Pursuant to Regulation 77(3)(c) of the Constitution of the Company, Shareholders who are unable to vote in person at any general meeting may, subject to the approval of the Directors, have the option of voting in absentia, including but not limited to voting by mail, electronic mail, or facsimile.</p>

Provision 11.5	<p><u>Minutes of General Meetings</u></p> <p>The Company prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management (the “Minutes of General Meeting”).</p> <p>During FY2019, the Minutes of General Meeting were available to shareholders upon their request. For the financial year ending 31 December 2020, the Company will publish the Minutes of General Meeting including the minutes of the Company’s forthcoming 2020 AGM on its corporate website as soon as practicable after each meeting.</p>
Provision 11.6 Appendix 7C(12)	<p><u>Dividend Policy</u></p> <p>The Company does not have a fixed dividend policy at present. The Company is committed to enhancing value for its shareholders and strives to achieve an efficient capital structure that balances the returns to shareholders with the Company’s capital needs for investment and growth. 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).</p> <p>No dividend has been declared or recommended for FY2019, as the Board deems it appropriate to reserve adequate resources for the Group’s business activities.</p>

PRINCIPLE 12: ENGAGEMENT WITH SHAREHOLDERS

The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the Company.

Provision 12.1 Provisions 12.2 & 12.3	<p><u>Communication between the Board and Shareholders</u></p> <p>The Company solicits feedback from and addresses the concerns of shareholders via the following:</p> <ul style="list-style-type: none"> ● a dedicated investor relations page on the Group’s website; and ● annual general meetings. <p>In addition, if the need arises, the Company may organise media/analyst briefings to enable a better appreciation of the Group’s performance and developments which will also act as platforms to solicit and understand the views of shareholders and investors.</p> <p><u>Investor Relations</u></p> <p>The Company’s CEO is responsible for the Company’s communication with shareholders and serve as the dedicated contact point for investor relations. Shareholders and investors can contact the Company by submitting their queries through the enquiry portal of our corporate website. The Company will follow up and response to stakeholders queries as soon as applicable.</p> <p>Apart from the SGXNET announcements and its annual report, the Company updates shareholders on its corporate developments through its corporate website at www.huatong-global.com.</p>
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PRINCIPLE 13: MANAGING STAKEHOLDER RELATIONSHIPS – ENGAGEMENT WITH STAKEHOLDERS

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Company are served.

<p>Provision 13.1 Provision 13.2</p>	<p><u>Stakeholders' Engagement</u></p> <p>We actively engage our key stakeholders periodically through various medium and channels to understand their needs and expectations, address their concerns so as to improve services and product's standards, as well as to align the business interest with those of the stakeholders and ultimately to generate sustainable value in the long-run.</p> <p>The stakeholders have been identified as those who are impacted by the Group's business and operations and those who are able to impact the Group's business and operations. Six stakeholders groups have been identified through an assessment of their significance to the business operations. They are namely, customers, employees, suppliers / consultant / subcontractors, shareholders & investors, regulators and community.</p> <p>Having identified the stakeholders and the key topics, the Company has mapped out the key areas of focus in relation to the management of the respective stakeholder relationships. The key areas of focus include waste disposal and management, water and energy consumption, occupational health and safety, training and education as well as employment practices.</p>
<p>Provision 13.3</p>	<p><u>Corporate Website</u></p> <p>The Company maintains a current corporate website, www.huatong-global.com, which contains various information on the Group and the Company and serves as an important resource for investors and all stakeholders.</p>

Catalist Rule	Company's Compliance or Explanation												
<p>712, 715 or 716</p>	<p><u>Appointment of Auditors</u></p> <p>The Company and all its Singapore-incorporated subsidiaries are audited by the EA, BDO LLP, save for Banyan Capital Pte. Ltd. ("BCPL") a subsidiary which is audited by RSM Chio Lim LLP, Singapore. Notwithstanding, the Board and the AC are satisfied that the appointment of a different auditing firm for BCPL would not compromise the standards and effectiveness of the audit of the Company by the EA. Therefore, the Company confirms its compliance with Catalist Rules 712, 715 or 716.</p>												
<p>1204(6)</p>	<p><u>Fees Paid/Payable to the EA for FY2019</u></p> <table border="1" data-bbox="470 1664 1426 1865"> <thead> <tr> <th></th> <th>S\$</th> <th>% of total</th> </tr> </thead> <tbody> <tr> <td>Audit fees</td> <td>120,000</td> <td>88</td> </tr> <tr> <td>Non-audit fees (Tax services)</td> <td>16,200</td> <td>12</td> </tr> <tr> <td>Total</td> <td>136,200</td> <td>100</td> </tr> </tbody> </table> <p>The AC confirms that it has undertaken a review of non-audit services provided by the external auditors and they will not, in the audit committee's opinion, affect the independence of the auditors.</p>		S\$	% of total	Audit fees	120,000	88	Non-audit fees (Tax services)	16,200	12	Total	136,200	100
	S\$	% of total											
Audit fees	120,000	88											
Non-audit fees (Tax services)	16,200	12											
Total	136,200	100											

1204(8)	<p><u>Material Contracts</u></p> <p>Save for as disclosed in Note 31 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 FY2019 or if not then subsisting, entered into since the end of the previous financial year.</p>																
711A, 711B	<p><u>Sustainability Reporting</u></p> <p>The Group recognises the importance of sustainability that creates long-term value to our stakeholders by embracing opportunities and managing risks derived from the environment, social developments and governance. The Group is committed towards implementing sustainable practices in order to achieve the right balance between the needs of the wider community and the requirements of stakeholders and business growth. The Group's third sustainability report will be prepared in accordance with the Global Reporting Initiative Standards, Core Option and in line with the requirements of the Catalist Rules on sustainability reporting. The report will highlight the environmental and social factors such as waste and energy consumption, occupational health and safety and Training and education. Details of the sustainability practices are presented in our 2019 Sustainability Report which will be published on the SGXNET by 31 May 2020.</p>																
1204(17) 907	<p><u>Interested Persons Transaction ("IPT")</u></p> <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 IPTs as disclosed at paragraph (c)(i) of page 156 of the Company's offer document dated 1 December 2014, the update announcement in relation to the IPTs released on 8 November 2019 and the IPTs as set out in the table below, there were no additional IPTs of S\$100,000 and above for FY2019</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="width: 25%;">Name of Interested Person</th> <th style="width: 15%;">Nature of relationship</th> <th style="width: 30%;">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 style="width: 30%;">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> </thead> <tbody> <tr> <td>NHL Holding Pte. Ltd.</td> <td style="text-align: center;">#</td> <td style="text-align: right;">S\$2,585,000</td> <td style="text-align: center;">Not applicable</td> </tr> <tr> <td>NB Auto Pte. Ltd.</td> <td style="text-align: center;">#</td> <td style="text-align: right;">S\$147,000</td> <td style="text-align: center;">Not applicable</td> </tr> <tr> <td>Total</td> <td></td> <td style="text-align: right;">S\$3,271,000</td> <td></td> </tr> </tbody> </table> <p># These IPs are regarded as associates of the Company's controlling shareholder under Chapter 9 of the Catalist Rules on interested person transactions.</p> <p>There was no subsisting Shareholders' mandate for interested person transactions pursuant to Rule 920 of the Listing Manual of SGX-ST during FY2019.</p>	Name of Interested Person	Nature of relationship	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)	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)	NHL Holding Pte. Ltd.	#	S\$2,585,000	Not applicable	NB Auto Pte. Ltd.	#	S\$147,000	Not applicable	Total		S\$3,271,000	
Name of Interested Person	Nature of relationship	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)	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)														
NHL Holding Pte. Ltd.	#	S\$2,585,000	Not applicable														
NB Auto Pte. Ltd.	#	S\$147,000	Not applicable														
Total		S\$3,271,000															

► CORPORATE GOVERNANCE REPORT

1204(19)	<p><u>Dealing in Company's Securities</u></p> <p>In compliance with Rule 1204(19) of the Listing Manual of the SGX-ST, 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.</p>																														
1204(21)	<p><u>Non-sponsor fees</u></p> <p>No non-sponsorship fees were paid to its sponsor, PrimePartners Corporate Finance Pte. Ltd. in FY2019.</p>																														
1204(22)	<p><u>Use of IPO Proceeds</u></p> <p>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 31 December 2019, the status on the use of the IPO net proceeds is as follows:</p> <table border="1" data-bbox="472 999 1433 1550"> <thead> <tr> <th data-bbox="472 999 751 1104">Use of Proceeds</th> <th data-bbox="751 999 919 1104">Amount Allocated (S\$'000)</th> <th data-bbox="919 999 1086 1104">Amount Reallocated (S\$'000)</th> <th data-bbox="1086 999 1254 1104">Amount Utilised (S\$'000)</th> <th data-bbox="1254 999 1433 1104">Amount unutilised (S'000)</th> </tr> </thead> <tbody> <tr> <td data-bbox="472 1104 751 1294">To explore opportunities in mergers and acquisitions, joint ventures and strategic alliances</td> <td data-bbox="751 1104 919 1294">1,500</td> <td data-bbox="919 1104 1086 1294">(1,330)</td> <td data-bbox="1086 1104 1254 1294">(170)</td> <td data-bbox="1254 1104 1433 1294">–</td> </tr> <tr> <td data-bbox="472 1294 751 1373">To increase LSS production</td> <td data-bbox="751 1294 919 1373">1,000</td> <td data-bbox="919 1294 1086 1373">–</td> <td data-bbox="1086 1294 1254 1373">(1,000)</td> <td data-bbox="1254 1294 1433 1373">–</td> </tr> <tr> <td data-bbox="472 1373 751 1451">General working capital purposes</td> <td data-bbox="751 1373 919 1451">1,611</td> <td data-bbox="919 1373 1086 1451">1,330</td> <td data-bbox="1086 1373 1254 1451">(2,941)⁽¹⁾</td> <td data-bbox="1254 1373 1433 1451">–</td> </tr> <tr> <td data-bbox="472 1451 751 1507">Listing expenses</td> <td data-bbox="751 1451 919 1507">1,389</td> <td data-bbox="919 1451 1086 1507">–</td> <td data-bbox="1086 1451 1254 1507">(1,389)</td> <td data-bbox="1254 1451 1433 1507">–</td> </tr> <tr> <td data-bbox="472 1507 751 1550">Total</td> <td data-bbox="751 1507 919 1550">5,500</td> <td data-bbox="919 1507 1086 1550">–</td> <td data-bbox="1086 1507 1254 1550">(5,500)</td> <td data-bbox="1254 1507 1433 1550">–</td> </tr> </tbody> </table> <p data-bbox="472 1576 536 1597">Notes:</p> <p data-bbox="472 1626 1129 1646">(1) This amount comprises general and administrative expenses.</p> <p data-bbox="472 1682 1433 1821"><i>As disclosed in the Company's announcement dated 12 September 2019, the Group re-allocated S\$1.33 million of the IPO proceeds originally allocated to explore opportunities in mergers and acquisitions, joint ventures and strategic alliances to general working capital purposes (the "Re-Allocation"). The Re-Allocation is in the best interests of the Group and its shareholders.</i></p> <p data-bbox="472 1854 1433 1968"><i>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 and the Re-Allocation announcement dated 12 September 2019 respectively.</i></p>	Use of Proceeds	Amount Allocated (S\$'000)	Amount Reallocated (S\$'000)	Amount Utilised (S\$'000)	Amount unutilised (S'000)	To explore opportunities in mergers and acquisitions, joint ventures and strategic alliances	1,500	(1,330)	(170)	–	To increase LSS production	1,000	–	(1,000)	–	General working capital purposes	1,611	1,330	(2,941) ⁽¹⁾	–	Listing expenses	1,389	–	(1,389)	–	Total	5,500	–	(5,500)	–
Use of Proceeds	Amount Allocated (S\$'000)	Amount Reallocated (S\$'000)	Amount Utilised (S\$'000)	Amount unutilised (S'000)																											
To explore opportunities in mergers and acquisitions, joint ventures and strategic alliances	1,500	(1,330)	(170)	–																											
To increase LSS production	1,000	–	(1,000)	–																											
General working capital purposes	1,611	1,330	(2,941) ⁽¹⁾	–																											
Listing expenses	1,389	–	(1,389)	–																											
Total	5,500	–	(5,500)	–																											

DIRECTORS' STATEMENT

The Directors of Huatong 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 2019 and the statement of financial position of the Company as at 31 December 2019.

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 drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 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 1.1.2019	Balance as at 31.12.2019	Balance as at 1.1.2019	Balance as at 31.12.2019
	Number of ordinary shares			
The Company				
Ng Hai Liong	–	–	121,759,600	121,759,600
Ng Kian Ann Patrick	69,000	69,000	121,759,600	121,759,600
Ng Kian Yeow, Vincent	–	–	121,759,600	121,759,600
Ultimate holding company				
<i>Dandelion Capital Pte. Ltd.</i>				
Ng Hai Liong	17	17	35	35
Ng Kian Ann Patrick	25	25	–	–
Ng Kian Yeow, Vincent	23	23	–	–

► DIRECTORS' STATEMENT

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 at the beginning and at the end of the financial year. 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 2020 in the shares or debentures of the Company have not changed from those disclosed as at 31 December 2019.

5. Share options

Huatong Employee Share Option Scheme

The Huatong 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 Huatong 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 and subsidiary holdings of the Company) 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

Huatong Performance Share Plan

The Huatong 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 and external auditor's report on those financial statements before their submission to the Directors of the Company;
- (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 half-yearly and 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 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.

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.

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

28 May 2020
Singapore

► INDEPENDENT AUDITOR'S REPORT

To the members of Huatong Global Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Huatong Global Limited (the "Company") and its subsidiaries (the "Group") from page 55 to 124, which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2019;
- 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 Singapore Financial Reporting Standards (International) ("SFRS(I)s") 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 2019, and of its 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.

INDEPENDENT AUDITOR'S REPORT

To the members of Huatong Global Limited

KEY AUDIT MATTER	AUDIT RESPONSE
<p>1 Revenue from construction contracts</p> <p>One of the Group's main revenue streams relate to the provision of civil engineering services which account for 88.4% of the Group's total revenue. The revenue is recognised over time and the stage of completion is measured based on inputs to the satisfaction of a performance obligation (cost incurred to date relative to the estimated total contract costs). We focused our audit on the Group's revenue from construction contracts due to the high level of management judgements and estimates involved, particularly relating to, for each contract:</p> <ul style="list-style-type: none">▪ Estimating the total contract revenue, including an assessment of the expected recovery of costs arising from claims and variation orders.▪ Estimating total contract costs, including estimated costs to complete, 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. <hr/> <p>Refer to Notes 2.15, 3.2(i), 11, and 24 of the accompanying financial statements.</p>	<p>Our procedures included, amongst others, the following:</p> <ul style="list-style-type: none">▪ 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:<ul style="list-style-type: none">○ 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 against supporting documents such as supplier invoices and delivery orders.○ Assessing the reasonableness of the costs to complete of the projects.○ 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.

► INDEPENDENT AUDITOR'S REPORT

To the members of Huatong Global Limited

KEY AUDIT MATTER	AUDIT RESPONSE
<p>2 Expected credit losses on trade receivables (including retention sums) and contract assets</p> <p>As at 31 December 2019, the carrying amount of the Group's trade receivables, net of loss allowance of \$9.2 million, amounted to \$43.4 million, comprising approximately 16.8% of the Group's total assets.</p> <p>The Group's contract assets, net of loss allowance of \$0.8 million, amounted to \$77.9 million, comprising approximately 30.1% of the Group's total assets.</p> <p>The Group determines expected credit losses ("ECL") on trade receivables and contract assets by making individual assessment of expected credit loss for any amount that is long overdue and using a provision matrix for the remaining amounts that is based on its historical credit loss experience with forward looking assumptions. Management takes into account historical provision trend and other relevant factors.</p> <p>Determining ECL on trade receivables and contract assets is a key audit matter due to the significant management judgement involved.</p> <hr/> <p>Refer to Notes 3.2(ii), 11, 14 and 35.1 of the accompanying financial statements.</p>	<p>Our procedures included, amongst others, the following:</p> <ul style="list-style-type: none"> ▪ Obtained an understanding of and assessed the inputs and information, including the aged trade receivables and historical discounts reports, used in designing the provision matrix. ▪ Recomputed ECL of trade receivables and contract assets using the provision matrix and evaluated management's assessment of the ECL rates, including assumptions surrounding current conditions and forecast of future economic conditions. ▪ Checked for subsequent receipts of selected samples of trade receivables. ▪ Assessed the appropriateness of credit-impaired receivables identified and reasonableness of the ECL on those receivables. ▪ Assessed the adequacy of the related disclosures made in the financial statements.

Other Information
<p>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.</p> <p>Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.</p> <p>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.</p>

Responsibilities of Management and Directors for the Financial Statements
<p>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 SFRS(I)s, 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.</p> <p>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.</p> <p>The directors' responsibilities include overseeing the Group's financial reporting process.</p>

INDEPENDENT ► AUDITOR'S REPORT

To the members of Huatong Global Limited

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 Huatong 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

28 May 2020
Singapore

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

	Note	Group	
		2019 \$'000	2018 \$'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	39,707	94,654
Right-of-use assets	5	79,961	–
Financial assets at FVTPL	6	5,315	5,221
Investment in a joint venture	8	2,791	1,806
Prepayments	9	–	23
Intangible assets	10	110	114
		<u>127,884</u>	<u>101,818</u>
Current assets			
Contract assets	11	77,852	73,327
Financial assets at FVOCI	12	952	2,248
Inventories	13	1,279	940
Trade and other receivables	14	44,887	44,158
Prepayments	9	1,121	1,334
Cash and cash equivalents	15	4,484	8,509
		<u>130,575</u>	<u>130,516</u>
Total assets		<u>258,459</u>	<u>232,334</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	16	38,676	38,676
Other reserves	17	(14,936)	(14,292)
Accumulated profits		50,730	46,777
Equity attributable to owners of the parent		<u>74,470</u>	<u>71,161</u>
Non-controlling interests		(879)	(847)
Total equity		<u>73,591</u>	<u>70,314</u>

Note:

- (1) FVTPL: fair value through profit or loss
- (2) FVOCI: fair value through other comprehensive income

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

► STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

	Note	Group	
		2019 \$'000	2018 \$'000
Non-current liabilities			
Lease liabilities*	20	40,462	22,279
Bank borrowings	21	11,588	15,387
Deferred income	22	957	1,750
Deferred tax liabilities	23	5,966	5,545
		<u>58,973</u>	<u>44,961</u>
Current liabilities			
Contract liabilities	11	339	91
Trade and other payables	19	51,173	50,539
Lease liabilities*	20	17,471	14,950
Bank borrowings	21	55,761	48,475
Deferred income	22	793	834
Current income tax payable		358	2,170
		<u>125,895</u>	<u>117,059</u>
Total liabilities		<u>184,868</u>	<u>162,020</u>
Total equity and liabilities		<u>258,459</u>	<u>232,334</u>

Note:

* Classified as financial lease payables in the previous financial year

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

STATEMENTS OF FINANCIAL POSITION ►

As at 31 December 2019

	Note	Company	
		2019 \$'000	2018 \$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	7	41,735	41,735
Intangible assets	10	17	19
		<u>41,752</u>	<u>41,754</u>
Current assets			
Trade and other receivables	14	1,867	3,018
Prepayments	9	150	238
Cash and cash equivalents	15	153	164
		<u>2,170</u>	<u>3,420</u>
Total assets		<u>43,922</u>	<u>45,174</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	16	38,676	38,676
Accumulated profits	18	5,043	5,361
Total equity		<u>43,719</u>	<u>44,037</u>
Current liabilities			
Trade and other payables	19	203	1,137
Total liabilities		<u>203</u>	<u>1,137</u>
Total equity and liabilities		<u>43,922</u>	<u>45,174</u>

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

► CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2019

	Note	2019 \$'000	2018 \$'000
Revenue	24	134,576	179,311
Cost of sales and services		(107,756)	(145,644)
Gross profit		26,820	33,667
<i>Other item of income</i>			
Other income	25	3,938	2,451
<i>Other items of expense</i>			
Administrative expenses		(21,797)	(21,914)
Other expenses		(721)	(998)
Loss allowance on trade receivables and contract assets		(253)	(4,926)
Finance costs	26	(3,850)	(2,770)
Share of results of a joint venture	8	985	1,629
Profit before income tax	27	5,122	7,139
Income tax expense	28	(1,201)	(2,073)
Profit for the financial year		3,921	5,066
<u>Other comprehensive income:</u>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Fair value changes on financial assets at FVOCI	12	(12)	(9)
Reversal of fair value loss in fair value reserve upon redemption	17	9	–
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
(Loss)/Gain on revaluation of property, plant and equipment	4	(641)	1,136
Other comprehensive income, net of tax	28	(644)	1,127
Total comprehensive income for the financial year		3,277	6,193
Profit attributable to:			
Owners of the parent		3,953	5,326
Non-controlling interests		(32)	(260)
		3,921	5,066
Total comprehensive income attributable to:			
Owners of the parent		3,309	6,453
Non-controlling interests		(32)	(260)
		3,277	6,193
Earnings per share attributable to owners of the parent:			
- Basic and diluted (in cents)	29	2.61	3.52

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

				Total equity attributable to owners of the parent	Non- controlling interests	Total equity
Note	Share capital \$'000	Accumulated profits \$'000	Other reserves \$'000	\$'000	\$'000	\$'000
	38,676	46,777	(14,292)	71,161	(847)	70,314
Profit for the financial year	-	3,953	-	3,953	(32)	3,921
Other comprehensive income:						
- Loss on revaluation of property, plant and equipment	4	-	-	(641)	-	(641)
- Fair value changes on financial assets at FVOCI	12	-	-	(12)	-	(12)
- Reversal of fair value loss in fair value reserve upon redemption	12	-	-	9	-	9
Total comprehensive income for the financial year	-	3,953	(644)	3,309	(32)	3,277
Balance as at 31.12.2019	38,676	50,730	(14,936)	74,470	(879)	73,591
Balance as at 1.1.2018, FRS framework	38,676	42,448	(14,906)	66,218	(587)	65,631
Effects on adoption of SFRS(I) 9	-	(164)	(513)	(677)	-	(677)
Balance as at 1.1.2018, as restated	38,676	42,284	(15,419)	65,541	(587)	64,954
Profit for the financial year	-	5,326	-	5,326	(260)	5,066
Other comprehensive income:						
- Gain on revaluation of property, plant and equipment	4	-	-	1,136	-	1,136
- Fair value changes on financial assets at FVOCI	12	-	-	(9)	-	(9)
		-	-	1,127	-	1,127
Total comprehensive income for the financial year	-	5,326	1,127	6,453	(260)	6,193
Transactions with owners of the parent:						
Dividend	30	-	(833)	-	(833)	-
Total transactions with owners of the parent		-	(833)	-	(833)	-
Balance as at 31.12.2018	38,676	46,777	(14,292)	71,161	(847)	70,314

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

► CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2019

	2019 \$'000	2018 \$'000
Cash flows from operating activities		
Profit before income tax	5,122	7,139
Adjustments for:		
Changes in allowance for impairment of financial assets at FVOCI	–	(214)
Reversal of allowance for impairment of financial assets at FVOCI upon redemption	(6)	(49)
Allowance for impairment of property, plant and equipment and right-of-use assets	52	166
Loss allowance on trade receivables and contract assets	253	4,926
Amortisation of intangible assets	16	14
Depreciation of property, plant and equipment	6,077	15,246
Depreciation of right-of-use assets	13,519	–
(Gain)/ Loss on disposal of property, plant and equipment and right-of-use assets	(51)	155
Gain on lease modification	(95)	–
Amortisation of gain on sale and leaseback transactions	(834)	(298)
Interest expenses	3,676	2,549
Interest income	(58)	(200)
Share of results of a joint venture	(985)	(1,629)
Fair value gain of financial assets at FVTPL	(163)	(159)
Unrealised exchange differences, net	(5)	15
Operating cash flows before working capital changes	26,518	27,661
Working capital changes:		
Trade and other receivables	(865)	11,002
Prepayments	236	(91)
Contract assets, net	(4,314)	(37,058)
Inventories	(339)	1,693
Trade and other payables	1,831	6,134
Cash from operations	23,067	9,341
Interest received	5	20
Income tax paid	(2,592)	(1,110)
Net cash from operating activities	20,480	8,251
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,885)	(1,692)
Deposits for purchase of property, plant and equipment	(80)	–
Additions to intangible assets	(12)	(22)
Interest received	82	182
Proceeds from disposal of property, plant and equipment and right-of-use assets	469	8,987
Proceeds from partial redemption of financial assets at FVOCI	1,270	348
Net cash (used in)/from investing activities	(3,156)	7,803

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2019

	2019 \$'000	2018 \$'000
Cash flows from financing activities		
Proceeds from trust receipts	71,783	96,395
Repayment of trust receipts	(78,339)	(98,249)
Proceeds from term loans	15,290	14,773
Repayment of term loans	(5,172)	(8,153)
Interest paid	(3,248)	(2,549)
Dividend paid	–	(833)
Repayment of lease liabilities	(21,563)	(12,902)
Decrease in amounts due to related parties	(100)	(255)
Net cash used in financing activities	<u>(21,349)</u>	<u>(11,773)</u>
Net change in cash and cash equivalents	(4,025)	4,281
Cash and cash equivalents as at the beginning of the financial year	8,509	4,228
Cash and cash equivalents as at the end of the financial year (Note 15)	<u>4,484</u>	<u>8,509</u>

Reconciliation of liabilities arising from financing activities

	Bank borrowings \$'000	Lease liabilities* \$'000
Balance as at 1.1.2019	63,862	37,229
Adoption of SFRS(I) 16	–	18,294
Cash flows	3,562	(21,563)
Non-cash changes		
- Additions of right-of-use rights	–	21,373
- Modification to lease terms	–	419
Gain on lease modification	–	(95)
- Interest for lease liabilities amortised	–	428
- Settlement of acquisition of property, plant and equipment under trade and other payables in prior year via leases	–	1,848
- Foreign exchange differences	(75)	–
Balance as at 31.12.2019	<u>67,349</u>	<u>57,933</u>
Balance as at 1.1.2018	58,976	33,426
Cash flows	4,766	(12,902)
Non-cash changes		
- Additions of property, plant and equipment under leases	–	12,330
- Settlement of acquisition of property, plant and equipment under trade and other payables in prior year via leases	–	1,794
- Foreign exchange differences	120	–
- Reclassification from liabilities associated with non-current assets held for sale	–	2,581
Balance as at 31.12.2018	<u>63,862</u>	<u>37,229</u>

Note:

* Classified as financial lease payables in the previous financial year

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

► NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

1. General corporate information

Huatong Global Limited (the "Company") is a limited liability company incorporated and domiciled in 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 7 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 2019 were authorised for issue in accordance with a Directors' resolution dated 28 May 2020.

2. Significant accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)s"), including related interpretations of SFRS(I) ("SFRS(I) INTs") 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 ("S\$") 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 compliance with SFRS(I)s requires management to make judgements, estimates and assumptions that affect the Group's application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. The areas where such judgements or estimates have significant effect on the financial statements are disclosed in Note 3 of the financial statements.

Changes in accounting policies

New standards, amendments and interpretations effective from 1 January 2019

The standards, amendments to standards, and interpretations, issued by Accounting Standards Council Singapore ("ASC") that will apply for the first time by the Group are not expected to impact the Group as they are either not relevant to the Group's business activities or require accounting which is consistent with the Group's current accounting policies, except as detailed below.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

Changes in accounting policies (Continued)

New standards, amendments and interpretations effective from 1 January 2019 (Continued)

SFRS(I) 16 Leases

SFRS(I) 16 supersedes SFRS(I) 1-17 *Leases* and SFRS(I) INT 4 *Determining whether an Arrangement Contains a Lease*. SFRS(I) 16 provides a single lessee accounting model which eliminates the distinction between operating and finance leases for lessees. SFRS(I) 16 requires lessee to capitalise all leases on the statements 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 right-of-use assets will be amortised 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 SFRS(I) 16.

The Group applied SFRS(I) 16 retrospectively with the cumulative effect of initially applying this standard as at 1 January 2019 (the "date of initial application") and recognised right-of-use asset for leases previously classified as an operating lease applying SFRS(I) 1-17 at an amount equal to lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statements of financial position immediately before the date of initial application. The Group elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under SFRS(I) 1-17 and SFRS(I) INT 4 were not reassessed. The definition of lease under SFRS(I) 16 was applied only to contracts entered into or changed on or after 1 January 2019.

In applying the modified retrospective approach, the Group has taken advantage of the following practical expedients:

- (i) A single discount rate has been applied to portfolios of leases with reasonably similar characteristics;
- (ii) For the purpose of measuring the right-of-use asset, hindsight has been used. Therefore, it has been measured based on prevailing estimates at the date of initial application and not retrospectively by making estimates and judgements (such as lease terms) based on circumstances on or after the lease commencement date;
- (iii) Leases with a remaining term of twelve months from the date of initial application have been accounted for as short-term leases (i.e. not recognised on statement of financial position) even though the initial term of the leases from lease commencement date may have been more than twelve months;

As a lessee, the Group previously classified leases as finance or operating lease based on its assessment of whether the lease transferred substantially all risks and rewards of ownership. Under SFRS(I) 16, the Group recognises right-of-use assets and lease liabilities for most leases. For those low-value assets based on the value of the underlying asset when new and leases with a term of 12 months or less, the Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

▶ NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

Changes in accounting policies (Continued)

New standards, amendments and interpretations effective from 1 January 2019 (Continued)

SFRS(I) 16 Leases (Continued)

Former operating leases

On adoption of SFRS(I) 16, the Group recognised right-of-use assets and lease liabilities in relation to land use rights, machineries, trucks and vehicles, which had previously been classified as operating leases.

Lease liabilities from operating leases under the principles of SFRS(I) 1-17 were measured at the present value of the remaining lease payments, discounted using lessee's incremental borrowing rate as at 1 January 2019. The weighted average incremental borrowing rate applied to lease liabilities on 1 January 2019 was 3.44%.

The right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

Former finance leases

For leases that were classified as finance leases applying SFRS(I) 1-17, the carrying amount of the assets acquired under finance leases and finance lease liabilities at the date of initial application shall be the carrying amount of the right-of-use assets and lease liabilities as at 31 December 2018. Consequently, certain plant, machinery and equipment are reclassified and presented under right-of-use assets (Note 5) at the date of initial application.

The effect of adopting SFRS(I) 16 as at 1 January 2019 was as follows:

	Group Increase/ (decrease) \$'000
Assets	
Property, plant and equipment	(59,191)
Right-of-use assets	<u>77,485</u>
Liabilities	
Lease liabilities	<u>18,294</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

Changes in accounting policies (Continued)

New standards, amendments and interpretations effective from 1 January 2019 (Continued)

SFRS(I) 16 Leases (Continued)

Former finance leases (Continued)

The aggregate lease liabilities recognised in the consolidated statement of financial position as at 1 January 2019 and the Group's operating lease commitment as at 31 December 2018 can be reconciled as follows:

	\$'000
Operating lease commitment as at 31 December 2018 (Note 32)	6,659
Less: Effect of short-term and low value leases	(142)
Less: Operating lease did not meet the definition of lease under SFRS(I) 16	(720)
Add: Effect of extension options reasonably certain to be exercised	13,838
	<hr/> 19,635
Effect of discounting the above amounts	(1,341)
	<hr/> 18,294
Finance lease liabilities recognised at 31 December 2018	37,229
Lease liability as at 1 January 2019	<hr/> <u>55,523</u>

New standards, amendments and interpretations issued but not yet effective

There are a number of standards, amendments to standards, and interpretations, which have been issued by the ASC that are effective in future accounting periods and the Group has not decided to early adopt. The Group does not expect any of these standards upon adoption will have a material impact to the Group.

At the date of authorisation of these financial statements, the following SFRS(I) and SFRS(I) INT that were issued but not yet effective, and have not been adopted early in these financial statements:

		Effective date (annual periods beginning on or after)
Various	Amendments to References to the Conceptual Framework in SFRS(I) Standards	1 January 2020
SFRS(I) 3 (Amendments)	Definition of a Business	1 January 2020
SFRS(I) 1-1, SFRS(I) 1-8 (Amendments)	Definition of Material	1 January 2020
SFRS(I) 17	Insurance Contracts	1 January 2021
SFRS(I) 10 and SFRS(I) 1-28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

► NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (Continued)

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its 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 its involvement with 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.

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. Control is reassessed whenever the facts and circumstances indicate that they may be a change in the elements of control.

All intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides an impairment indicator of the transferred asset.

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 the Group.

Non-controlling interests

Non-controlling interests represents the equity in subsidiaries which is not attributable directly or indirectly to the equity owners of the parent. They are shown separately in the consolidated statements of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the group's ownership interest in existing subsidiaries

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners). 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 parent.

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 retained earnings) 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 SFRS(I) 9 or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The consideration transferred for the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. Consideration transferred also includes any contingent consideration measured at the fair value at the acquisition date. Subsequent changes in fair value of contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under SFRS(I) 3 are recognised at their fair values at the acquisition date.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

Goodwill arising on acquisition is recognised as an asset at the acquisition date and initially measured at the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities and contingent liabilities assumed.

If, after reassessment, the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase.

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.

2.4 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.

► NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (Continued)

2.4 Property, plant and equipment (Continued)

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 2 and 22 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 carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, estimated 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.

Prior 1 January 2019, 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (Continued)

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.

2.6 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.

► NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (Continued)

2.7 Joint ventures (Continued)

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.

2.8 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

The Group recognises a financial asset or a financial liability in its statement of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument.

Financial assets

The Group classifies its financial assets as financial assets measured at amortised cost, or fair value based on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial assets. The Group shall reclassify its affected financial assets when and only when the Group changes its business model for managing these financial assets.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (Continued)

2.9 Financial instrument (Continued)

Financial assets (Continued)

Amortised cost

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. Interest income from these financial assets is included in interest income using the effective interest rate method.

Impairment provisions for trade receivables and contract assets are recognised based on the simplified approach within SFRS(I) 9 using the lifetime expected credit losses. The lifetime ECL are determined by making individual assessment of expected credit loss for any amount that is long overdue and using a provision matrix for the remaining amounts that is based on its historical credit loss experience with forward looking assumptions. Management takes into account historical provision trend and other relevant factors.

Impairment provisions for other receivables are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether at each reporting date, there has been a significant increase in credit risk since initial recognition of the financial asset. For those which the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Group's and Company's financial assets measured at amortised cost comprise trade and other receivables (excluding non-refundable deposits), contract assets and cash and cash equivalents in the statement of financial position.

Financial assets at fair value through other comprehensive income ("FVOCI")

The Group has a number of quoted debt securities. These assets are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the consolidated statement of comprehensive income and recognised in "other income". Interest income from these financial assets is included in "other income" using the effective interest rate method.

Financial assets at fair value through profit or loss ("FVTPL")

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the consolidated statement of comprehensive income within "other income" in the period in which it arises. Interest income from these financial assets is included in the "other income and gains".

The Group's and Company's FVTPL comprise Investments in life insurance.

► NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (Continued)

2.9 Financial instrument (Continued)

Financial assets (Continued)

Credit-impaired financial assets

At each reporting date, the Group assess on a forward looking basis whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- (i) Significant financial difficulty of debtors;
- (ii) A breach of contract such as a default or past due events;
- (iii) It is becoming probable that the debtors will enter bankruptcy or other financial reorganisation.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- When there is a breach of financial covenants by the counterparty; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

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 party.

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.

Financial liabilities

The Group classifies all financial liabilities as liabilities that are subsequently measured at amortised cost, except for financial liabilities at fair value through profit or loss and financial guarantee contracts.

Trade and other payables

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (Continued)

2.9 Financial instrument (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities (Continued)

Borrowings

Borrowings and lease liabilities are initially measured at fair value, net of transaction costs 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.

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the end of financial year, in which case they are presented as non-current liabilities.

Financial guarantee contracts

The Company has issued corporate guarantees to banks or financial institutions for borrowings of subsidiaries and these guarantees qualify as financial guarantees because the Company is required to reimburse the banks if the subsidiary breaches any repayment term.

Financial guarantee contract liabilities are measured initially at their fair values, net of transaction costs. Financial guarantee contracts are subsequently measured at the higher of:

- a) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and
- b) the amount of loss provisions determined in accordance with SFRS(I) 9.

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.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group 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.

When shares recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale issue or cancellation of treasury shares.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained earnings of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve of the Company.

► NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (Continued)

2.10 Contract assets and contract liabilities

For contract where the customer is invoiced on a milestone payment schedule, a contract assets is recognised if the value of the contract work transferred by the Group exceed the receipts from the customer and a contract liability is recognised if the receipts from customer exceed the value of the contract work transferred by the Group.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs includes all costs of purchase and other costs 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 in the ordinary course of business, less anticipated costs to be incurred in marketing, selling and distribution. Obsolete, slow-moving and defective inventories are written down to its net realisable value.

2.12 Cash and cash equivalents

Cash and cash equivalents 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 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. The increase in the provision due to the passage of time is recognised as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

2.14 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) the amount of the obligation cannot be measured with sufficient reliability.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (Continued)

2.14 Contingencies (Continued)

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingencies are not recognised on the consolidated statement of financial position, except for contingent liabilities assumed in a business combination that are present obligations and for which the fair value can be reliably determined.

2.15 Revenue recognition

Revenue is recognised when a performance obligation is satisfied. Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (i.e. sales related taxes).

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

Revenue from civil engineering contract works

The Group provides civil engineering contract works to customers. Revenue is recognised when the control over the contract work is transferred to the customer. At contract inception, the Group assesses whether Group transfers controls of the contract work over time or at a point in time by determining if the entity performance creates or enhances an asset that the customer controls as the asset is created or enhanced or the customer simultaneously receives and consumes the benefits provided by the entity's performance as the work progresses. Revenue is recognised over time on a cost-to-cost method, i.e. based on inputs to the satisfaction of a performance obligation incurred to date relative to the estimated total contract costs.

The Group progressively invoices the customer on progress claims, where the Group has right over payment over the value of services transferred to the customer. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

The costs of fulfilling contracts do not result into a recognition of contract assets if such costs fall within the scope of other SFRS(I)s. The Group will only recognise fulfilment costs within the scope of SFRS(I) 15 as contract asset if:

- these costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- these costs generate or enhance resources that will be used in satisfying performance obligations in the future; and
- these costs are expected to be recovered.

Inland logistics support service income

Inland logistics support service income are recognised at point in time when services are provided.

Sales of construction materials

Revenue from the sales of construction materials is recognised at point in time when the goods are delivered to customers.

► NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (Continued)

2.15 Revenue recognition (Continued)

Rental income from operating leases

Revenue are recognised over time on a straight-line basis over the lease term.

Interest income

Interest income is recognised using the effective interest rate method.

2.16 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.

2.17 Borrowing costs

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

2.18 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.

2.19 Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision 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.

2.20 Leases

As lessee

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- leases of low value assets; and
- leases with a duration of twelve months or less.

The payments for leases of low value assets and short-term leases are recognised as an expense on a straight-line basis over the lease term.

Initial measurement

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used.

Variable lease payments are only included in the measurement of the lease liability if it is depending on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (Continued)

2.20 Leases (Continued)

As lessee (Continued)

Initial measurement (Continued)

On initial recognition, the carrying amount of lease liabilities also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to assess that option; and
- any penalties payables for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of lease liabilities, reduced by any lease incentives received and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

The Group presents the right-of-use assets and lease liabilities separately from other assets and other liabilities in the consolidated statement of financial position.

Subsequent measurement

Right-of-use assets are subsequently measured at cost less any accumulated depreciation, any accumulated impairment loss and, if applicable, adjusted for any remeasurement of the lease liabilities. The right-of-use assets under cost model are depreciated on a straight-line basis over the shorter of either the remaining lease term or the remaining useful life of the right-of-use assets. If the lease transfers ownership of the underlying asset by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise the purchase option, the right-of-use assets are depreciated over the useful life of the underlying asset.

The carrying amount of right-of-use assets are reviewed for impairment when events or changes in circumstances indicate that the right-of-use asset may be impaired. The accounting policy on impairment is as described in Note 2.8 to the financial statements.

Subsequent to initial measurement, lease liabilities are adjusted to reflect interest charged at a constant periodic rate over the remaining lease liabilities, lease payment made and if applicable, account for any remeasurement due to reassessment or lease modifications.

After the commencement date, interest on the lease liabilities are recognised in profit or loss, unless the costs are eligible for capitalisation in accordance with other applicable standards.

When the Group revises its estimate of any lease term (i.e. probability of extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments over the revised term. The carrying amount of lease liabilities is similarly revised when the variable element of the future lease payment dependent on a rate or index is revised. In both cases, an equivalent adjustment is made to the carrying amount of the right-of-use assets. If the carrying amount of the right-of-use assets is reduced to zero and there is a further reduction in the measurement of lease liabilities, the remaining amount of the remeasurement is recognised directly in profit or loss.

► NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (Continued)

2.20 Leases (Continued)

As lessee (Continued)

Subsequent measurement (Continued)

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting treatment depends on the nature of the modification:

- If the renegotiation results in one or more additional asset being leased for an amount commensurate with the standalone price for the additional right-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;
- In all other cases where the renegotiation increases the scope of the lease (i.e. extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount;
- If the renegotiation results in a decrease in scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference being recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For lease contracts that convey a right to use an identified asset and require services to be provided by the lessor, if any, the Group elects to account for the entire contract as a lease. The Group does not allocate any amount of contractual payments to, and account separately for, any services provided by the lessor as part of the contract.

Accounting policy prior to 1 January 2019

As lessee

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.

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.

A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset. The lease payment and the sale price are usually interdependent because they are negotiated as a package. The accounting treatment of a sale and leaseback transaction depends upon the type of lease involved.

If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount shall not be immediately recognised as income by a seller-lessee. Instead, it shall be deferred and amortised over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (Continued)

2.20 Leases (Continued)

Accounting policy prior to 1 January 2019 (Continued)

As lessee (Continued)

Finance leases (Continued)

If the leaseback is a finance lease, the transaction is a means whereby the lessor provides finance to the lessee, with the asset as security. For this reason it is not appropriate to regard an excess of sales proceeds over the carrying amount as income. Such excess is deferred and amortised over the lease term.

Operating leases

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.

As lessor

When the Group is a lessor, it determines whether each lease entered is a finance or an operating lease at the lease inception date and reassessed only if there is a lease modification. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Whereas, it is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

If the lease arrangement contains lease and non-lease components, the Group applies the principles within SFRS(I) 15 to allocate consideration in the lease arrangement.

The Group recognises lease payments under operating leases as income on a straight-line basis over the lease term unless another systematic basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished. The lease payment recognised is included as part of "Other income". Initial direct cost incurred in negotiating and arranging an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income.

Any modification to an operating lease is accounted for as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

The accounting policies applicable to the Group as a lessor in the comparative period were not different from SFRS(I) 16.

2.21 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.

► NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (Continued)

2.21 Taxes (Continued)

Deferred tax

Deferred tax is recognised on the temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases of assets and liabilities used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for deductible difference 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 goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiaries and investment in a joint venture, except where the Group is able to control the timing of 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 deferred tax asset to be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (Continued)

2.22 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.

2.23 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.

2.24 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group of executive directors who make strategic decisions.

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

The following are the critical judgements, apart from those involving estimations (see below) that management has made in the process of applying the Group's accounting policies and which have a significant effect on the amounts recognised in the financial statements.

(i) Impairment of financial assets at FVOCI

The Group records impairment charges on financial assets at FVOCI 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.

▶ NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

3.1 Critical judgements made in applying the accounting policies (Continued)

(ii) Determine the lease term

The Group leases land use rights, machineries, trucks and vehicles from vendors. Included in the lease arrangement, there are extension and termination option held and exercisable only by the Group. In determining the lease term, management considers the likelihood of either to exercise the extension option, or not to exercise the termination option. Management considers all facts and circumstances that create an economic incentive to extend and economic penalty or costs relating to the termination of lease.

Management has included potential cash outflows of \$10,555,000 in the measurement of lease liability for machinery and vehicles, as it is reasonably certain that the extension option will be exercised. The assessment on lease terms is reviewed at the end of each reporting period if there is a significant change in the Group's intentions, business plan or other circumstances unforeseen since it was first estimated.

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 over time by reference to the stage of completion of the contract work. The stage of completion is measured by reference to the contract costs incurred to-date to the estimated total costs for the contract.

Significant assumptions are used to estimate the total contract revenue, including an assessment of the expected recovery of costs arising from claims and variation orders, total contract costs, including estimated costs to complete, at the inception of the contract and at the end of each reporting period and 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. In making these estimates, management has relied on past experience.

The carrying amounts of the Group's contract assets and contract liabilities as at 31 December 2019 were \$77,852,000 (2018: \$73,327,000) and \$339,000 (2018: \$91,000) respectively.

(ii) Estimating expected credit loss allowance on trade receivables (including retention sums) and contract assets

The Group and the Company has elected to apply the simplified approach within SFRS (I) 9, based on lifetime expected credit losses ("ECL"), in determining the loss allowance on trade receivables (including retention sums) and contract assets at the end of each reporting period.

The Group and Company determine ECL on trade receivables and contract assets by making individual assessment of expected credit loss for any amount that is long overdue and using a provision matrix for the remaining amounts that is based on its historical credit loss experience with forward looking assumptions. Management takes into account historical provision trend and other relevant factors.

During the financial year, the loss allowance on trade receivables (including retention sums) of \$216,000 (2018: \$4,813,000) was recognised in the Group's profit or loss. The carrying amount of the Group's trade receivables (including retention sums) as at 31 December 2019 were approximately \$43,379,000 (2018: \$42,777,000).

During the financial year, the loss allowance on contract assets of \$37,000 (2018: \$113,000) was recognised in the Group's profit or loss. The carrying amount of the Group's contract assets as at 31 December 2019 were approximately \$77,852,000 (2018: \$73,327,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

3.2 Key sources of estimation uncertainty (Continued)

(iii) Impairment of investments in subsidiaries

At the end of each financial year, an assessment is made on whether there is indication that the investments in subsidiaries are impaired. The management's assessment is based on the estimation of the value-in-use of the CGU by forecasting the expected future cash flows for a period up to 5 years, using a suitable discount rate in order to calculate the present value of those cash flows. The Company's carrying amount of investments in subsidiaries as at 31 December 2019 was \$41,735,000 (2018: \$41,735,000) (Note 7).

(iv) Measurement of lease liabilities

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term. The Group has determined the discount rate by reference to the respective lessee's incremental borrowing rate when the rate inherent in the lease is not readily determinable. The Group obtains the relevant market interest rate as well as the term of the lease. Management considers its own credit spread information from its recent borrowings, industry data available as well as any security available in order to adjust the market interest rate obtained from similar economic environment, term and value of the lease.

The weighted average incremental borrowing rate applied and weighted average interest rate implicit in the lease was 3.18% (2018: NA) and 3.86% (2018: 3.38%) respectively. The carrying amount of lease liabilities as at 31 December 2019 was \$57,933,000. If the incremental borrowing rate had been 0.5% higher or lower than management's estimates, the Group's lease liabilities would have been lower or higher by \$138,000.

(v) 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 2019 was \$39,707,000 (2018: \$94,654,000).

(vi) 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 2019 were \$358,000 (2018: \$2,170,000) and \$5,966,000 (2018: \$5,545,000) respectively.

► NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

3.2 Key sources of estimation uncertainty (Continued)

(vii) 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 36.1)

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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 or valuation								
Balance as at 1.1.2019	21,900	483	314	806	94,311	4,712	32,235	154,761
Adoption of SFRS(I) 16	-	-	-	-	(65,759)	-	(14,814)	(80,573)
Balance as at 1.1.2019 (restated)	21,900	483	314	806	28,552	4,712	17,421	74,188
Additions	-	20	28	21	4,582	851	133	5,635
Reclassified to right-of-use assets upon obtaining financing through leases	-	-	-	-	(1,160)	-	-	(1,160)
Reclassified from right-of-use assets upon full payment	-	-	-	-	12,962	-	2,357	15,319
Disposals	-	-	-	-	(142)	(10)	(425)	(577)
Revaluation	(2,500)	-	-	-	-	-	-	(2,500)
Balance as at 31.12.2019	19,400	503	342	827	44,794	5,553	19,486	90,905
Representing:								
At cost	-	503	342	827	44,794	5,553	19,486	71,505
At valuation	19,400	-	-	-	-	-	-	19,400
	19,400	503	342	827	44,794	5,553	19,486	90,905
Accumulated depreciation								
Balance as at 1.1.2019	-	367	250	603	40,844	2,784	15,093	59,941
Adoption of SFRS(I) 16	-	-	-	-	(17,636)	-	(3,623)	(21,259)
Balance as at 1.1.2019 (restated)	-	367	250	603	23,208	2,784	11,470	38,682
Depreciation	1,859	73	25	45	1,836	662	1,577	6,077
Reclassified from right-of-use assets upon full payment	-	-	-	-	7,103	-	1,412	8,515
Disposals	-	-	-	-	(29)	(2)	(338)	(369)
Elimination of depreciation on revaluation	(1,859)	-	-	-	-	-	-	(1,859)
Balance as at 31.12.2019	-	440	275	648	32,118	3,444	14,121	51,046
Accumulated impairment								
Balance as at 1.1.2019	-	-	-	-	53	-	113	166
Adoption of SFRS(I) 16	-	-	-	-	(46)	-	(77)	(123)
Balance as at 1.1.2019 (restated)	-	-	-	-	7	-	36	43
Impairment loss recognised	-	-	-	-	66	-	-	66
Reclassified from right-of-use assets upon full payment	-	-	-	-	43	-	-	43
Balance as at 31.12.2019	-	-	-	-	116	-	36	152
Net carrying amount								
Balance as at 31.12.2019	19,400	63	67	179	12,560	2,109	5,329	39,707

► NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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								
Cost or valuation								
Balance as at 1.1.2018	22,500	419	288	792	80,517	4,019	37,244	145,779
Additions	-	64	26	14	16,127	829	2,928	19,988
Reclassified from held for sale	-	-	-	-	23,964	-	-	23,964
Disposals	-	-	-	-	(26,297)	(136)	(7,937)	(34,370)
Revaluation	(600)	-	-	-	-	-	-	(600)
Balance as at 31.12.2018	21,900	483	314	806	94,311	4,712	32,235	154,761
Representing:								
At cost	-	483	314	806	94,311	4,712	32,235	132,861
At valuation	21,900	-	-	-	-	-	-	21,900
	21,900	483	314	806	94,311	4,712	32,235	154,761
Accumulated depreciation								
Balance as at 1.1.2018	-	280	226	554	36,074	2,274	17,055	56,463
Depreciation	1,736	87	24	49	9,227	640	3,483	15,246
Reclassified from held for sale	-	-	-	-	14,292	-	-	14,292
Disposals	-	-	-	-	(18,749)	(130)	(5,445)	(24,324)
Elimination of depreciation on revaluation	(1,736)	-	-	-	-	-	-	(1,736)
Balance as at 31.12.2018	-	367	250	603	40,844	2,784	15,093	59,941
Accumulated impairment								
Balance as at 1.1.2018	-	-	-	-	153	-	-	153
Impairment loss recognised	-	-	-	-	53	-	113	166
Disposals	-	-	-	-	(153)	-	-	(153)
Balance as at 31.12.2018	-	-	-	-	53	-	113	166
Net carrying amount								
Balance as at 31.12.2018	21,900	116	64	203	53,414	1,928	17,029	94,654

As at 31 December 2018, the carrying amount of plant and machineries, and trucks and vehicles acquired under finance leases amounted to \$59,191,000. These assets have been reclassified to right-of-use assets as at 1 January 2019 (Note 5). Finance lease assets are pledged as securities for the related lease liabilities (Note 20).

The Group's leasehold properties as at 31 December 2019 with a fair value of \$19,400,000 (2018: \$21,900,000) were pledged as securities for the banking facilities granted to the Group (Note 21).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

4. Property, plant and equipment (Continued)

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

	Group	
	2019 \$'000	2018 \$'000
Additions to property, plant and equipment	5,635	19,988
Acquired under sale and leaseback transactions*	–	(4,977)
Acquired under finance lease agreements	–	(12,330)
Acquired under trade and other payables**	(750)	(989)
Cash payments to acquire property, plant and equipment	<u>4,885</u>	<u>1,692</u>

* During the previous financial year, the Group entered into sale and leaseback arrangement for certain plant and machineries. The excess of sale proceed over the carrying amount is recorded as deferred income and amortised over the lease term as disclose in Note 22.

** The amount could subsequently be either converted to finance lease or settled in cash.

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 (expiring 31 December 2040)

The Group's leasehold properties were revalued on 31 December 2019 and 30 June 2018 by an accredited independent valuation firm. The fair value on 31 December 2019 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 on 31 December 2018 of the Group's leasehold properties was estimated by management which is not materially different from the valuation on 30 June 2018. The valuation difference of \$641,000 (2018: \$1,136,000) arising from the revaluations have been debited (2018: credited) to other comprehensive income and accumulated in equity under asset revaluation reserve (Note 17). The valuation conforms to International Valuation Standards and is based on the asset's highest and best use, which is in line with their actual use. There were no changes to the valuation techniques during the year. Details of valuation techniques and inputs used are disclosed in Note 36.2 to the financial statements.

If the revalued leasehold properties of the Group had been included in the financial statements at historical cost less accumulated depreciation and impairment loss, if any, the carrying amount as at 31 December 2019 would have been approximately \$12,946,000 (2018: \$13,568,000).

As at 31 December 2019, the Group carried out a review of the recoverable amount of its plant and equipment, trucks and vehicles. The review led to the recognition of an impairment loss of \$66,000 (2018: \$166,000, of which \$123,000 has been reclassified to right-of-use assets as at 1 January 2019) that has been recognised in profit or loss as the recoverable amount based on fair value less cost of disposal was below its carrying amount (Level 3 hierarchy).

► NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

5. Right-of-use assets

The Group has lease contracts for land-use-right for leasehold properties and construction sites, machineries, trucks and vehicles and worksite equipment. The Group's obligation under these leases are secured by the lessor's title to the leased assets. There are no externally imposed restrictions on these lease arrangements for right-of-assets. Except for the land use rights for leasehold properties and construction sites, the Group is not restricted from assigning and subleasing the leased assets.

	Land use rights \$'000	Machineries \$'000	Worksite Equipment \$'000	Trucks and vehicles \$'000	Total \$'000
Group					
Cost					
Balance as at 1.1.2019	–	–	–	–	–
Reclassified from property, plant and equipment	–	65,759	–	14,814	80,573
Adoption of SFRS(I) 16	4,457	1,057	–	12,780	18,294
	4,457	66,816	–	27,594	98,867
Additions	1,460	17,838	75	2,000	21,373
Reclassified from property, plant and equipment upon obtaining financing through leases	–	1,160	–	–	1,160
Modification to lease terms	–	3	–	416	419
Reclassified to property, plant and equipment upon full instalments	–	(12,962)	–	(2,357)	(15,319)
Disposals	–	(324)	–	–	(324)
Balance as at 31.12.2019	5,917	72,531	75	27,653	106,176
Accumulated depreciation					
Balance as at 1.1.2019	–	–	–	–	–
Reclassified from property, plant and equipment	–	17,636	–	3,623	21,259
	–	17,636	–	3,623	21,259
Depreciation	947	8,804	15	3,753	13,519
Reclassified to property, plant and equipment upon full instalments	–	(7,103)	–	(1,412)	(8,515)
Disposals	–	(114)	–	–	(114)
Balance as at 31.12.2019	947	19,223	15	5,964	26,149
Accumulated impairment					
Balance as at 1.1.2019	–	–	–	–	–
Reclassified from property, plant and equipment	–	46	–	77	123
	–	46	–	77	123
Impairment loss recognised/ (reversed)	–	63	–	(77)	(14)
Reclassified to property, plant and equipment upon full instalments	–	(43)	–	–	(43)
Balance as at 31.12.2019	–	66	–	–	66
Net carrying amount					
Balance as at 31.12.2019	4,970	53,242	60	21,689	79,961

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

5. Right-of-use assets (Continued)

The useful life of the right-of-use assets are as follows:

	Years
Land use rights	Remaining lease period of between 2 and 22 years
Machineries	6-10 years
Worksite equipment	5 years
Trucks and vehicles	6-10 years

Included in the above, machineries with a carrying amount of \$52,360,000, trucks and vehicles with a carrying value of \$10,700,000 and worksite equipment with carrying value of \$60,000 are secured over the lease liabilities of \$41,038,000 as at 31 December 2019. The Group's obligation under these leases are secured by the lessor's title to the leased assets.

The carrying amounts of lease liabilities, movements during the year and the maturity analysis of lease liabilities are disclosed in Note 20 to the financial statements.

The Group has several lease contracts that include extension options. The options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs.

6. Financial assets at FVTPL

	Group	
	2019 \$'000	2018 \$'000
Investments in life insurances, at fair value		
- Life Insurance Policy I	2,565	2,508
- Life Insurance Policy II	2,750	2,713
	5,315	5,221

Movements of investments in life insurance are as follows:

	Group	
	2019 \$'000	2018 \$'000
Balance as at the beginning of the financial year	5,221	4,957
Unrealised foreign exchange (loss)/gain recognised in profit or loss	(69)	105
Fair value gain recognised in profit or loss	163	159
Balance as at the end of the financial year	5,315	5,221

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 21). 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 21). 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.

► NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

6. Financial assets at FVTPL (Continued)

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 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 21), as well as (b) the surrender value of the insurance policies.

During the financial year, the Company and the Director agreed to extend the transfer of the beneficiary of Policy I to the Director for another 3 years to 2022. Subsequently to the reporting date, the Company and the Director also agreed to extend the transfer of the beneficiary of Policy II to the Director for another 3 years to 2023.

The initial cash value of the Policies was recognised as financial asset at FVTPL. The difference between the premium paid and the initial cash value was recognised as prepayments and amortised over 5 years.

The investments in life insurances are denominated in United States dollars.

7. Investments in subsidiaries

	Company	
	2019	2018
	\$'000	\$'000
Unquoted equity shares, at cost	41,735	41,735

Country of incorporation and principal place of business for all the subsidiaries are in Singapore. The details of the subsidiaries are as follows:

Name of companies	Principal activities	Proportion of ownership interest held by the Group		Proportion of ownership interest held by the non-controlling interests	
		2019	2018	2019	2018
		%	%	%	%
<u>Held by the Company</u>					
Huatong Contractor Pte Ltd ⁽¹⁾	Provision of civil engineering services and inland construction logistics support	100	100	–	–
Soil Engineering Pte. Ltd. ⁽¹⁾	Supply of construction materials	100	100	–	–
HT Equipment Pte. Ltd. ⁽¹⁾	Provision of industrial machinery and equipment rental services	75	75	25	25
<u>Held by Huatong Contractor Pte Ltd</u>					
Banyan Capital Pte. Ltd. ⁽²⁾	General contractors and other investment holding company	100	100	–	–

(1) Audited by BDO LLP, Singapore

(2) Audited by RSM Chio Lim LLP, Singapore

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

7. Investments in subsidiaries (Continued)

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.	
	2019	2018
	\$'000	\$'000
Revenue	1,014	500
Loss before income tax	(115)	(852)
Income tax expense	(11)	(186)
Loss for the financial year	(126)	(1,038)
Loss allocated to NCI	(32)	(260)
Total comprehensive income allocated to NCI	(32)	(260)
Cash flows from operating activities	291	336
Cash flows from investing activities	–	16
Cash flows used in financing activities	(139)	(393)
Net cash inflows/(outflows)	152	(41)
Assets:		
Current assets	971	353
Non-current assets	1,463	1,788
Liabilities:		
Current liabilities	5,751	5,341
Non-current liabilities	197	186
Net liabilities	(3,514)	(3,386)
Accumulated non-controlling interests	(879)	(847)

8. Investment in a joint venture

	Group	
	2019	2018
	\$'000	\$'000
Unquoted equity shares		
Balance as at the beginning of the financial year	1,806	177
Share of post-acquisition results	985	1,629
Balance as at the end of the financial year	2,791	1,806

► NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

8. Investment in a joint venture (Continued)

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	
			2019 %	2018 %
Golden Empire-Huatong 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

Summarised financial information of the joint venture is presented below:

	2019 \$'000	2018 \$'000
Assets:		
Current assets	11,419	14,473
Non-current assets	69	61
Liabilities:		
Current liabilities	3,110	9,113
Non-current liabilities	6	2
Net assets	8,372	5,419
<i>Included in the above amounts are:</i>		
Cash and cash equivalents	6,888	8,069
Reconciliation to carrying amounts:		
	2019 \$'000	2018 \$'000
Opening net assets	5,419	531
Profit for the financial year	2,953	4,888
Other comprehensive income	–	–
Closing net assets	8,372	5,419
Group's share in %	33.3%	33.3%
Group's share in \$	2,791	1,806
Carrying amount	2,791	1,806
The Group's share of profit for the financial year	985	1,629

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

8. Investment in a joint venture (Continued)

Summarised statement of comprehensive income for financial year ended 31 December	2019 \$'000	2018 \$'000
Revenue	22,718	31,956
Profit for the financial year representing total comprehensive income	2,953	4,888
<i>Included in the above amounts are</i>		
Depreciation and amortisation	21	15
Income tax expense	584	953

9. Prepayments

	Group	
	2019 \$'000	2018 \$'000
Prepaid life insurance (Note 6)	23	207
Other prepaid operating expenses	1,098	1,150
Less: Current portion	(1,121)	(1,334)
Non-current portion	–	23

The Company's prepayments relate to prepaid operating expenses.

10. Intangible assets

	Trademarks \$'000	Club membership \$'000	Total \$'000
Group			
Cost			
Balance as at 1.1.2019	129	54	183
Additions	12	–	12
Balance as at 31.12.2019	141	54	195
Accumulated amortisation			
Balance as at 1.1.2019	(26)	–	(26)
Amortisation for the financial year	(16)	–	(16)
Balance as at 31.12.2019	(42)	–	(42)
Accumulated impairment			
Balance as at 1.1.2019 and 31.12.2019	–	(43)	(43)
Net carrying amount			
Balance as at 31.12.2019	99	11	110

► NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

10. Intangible assets (Continued)

	Trademarks \$'000	Club membership \$'000	Total \$'000
Cost			
Balance as at 1.1.2018	107	54	161
Additions	22	–	22
Balance as at 31.12.2018	129	54	183
Accumulated amortisation			
Balance as at 1.1.2018	(12)	–	(12)
Amortisation for the financial year	(14)	–	(14)
Balance as at 31.12.2018	(26)	–	(26)
Accumulated impairment			
Balance as at 1.1.2018 and 31.12.2018	–	(43)	(43)
Net carrying amount			
Balance as at 31.12.2018	103	11	114

	Trademarks	
	2019 \$'000	2018 \$'000
Company		
Cost		
Balance as at the beginning and end of the financial year	26	26
Accumulated amortisation		
Balance as at the beginning of the financial year	(7)	(4)
Amortisation for the financial year	(2)	(3)
Balance as at the end of the financial year	(9)	(7)
Net carrying amount		
Balance as at the end of the financial year	17	19

11. Contract assets/Contract liabilities

	Group	
	2019 \$'000	2018 \$'000
Contract assets	78,679	74,117
Less: Loss allowance	(827)	(790)
	77,852	73,327
Contract liabilities	339	91

The contract assets/contract liabilities are denominated in Singapore dollar.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

11. Contract assets/Contract liabilities (Continued)

Movements in loss allowance on contract assets were as follows:

	Group	
	2019	2018
	\$'000	\$'000
Balance as at the beginning of the financial year	790	–
Opening balance adjustment on initial application of SFRS(I)	–	677
Loss allowance made (Note 27)	37	113
Balance as at the end of the financial year	827	790

Significant changes in the contract assets and the contract liabilities during the year are as follows:

	2019	2018
	\$'000	\$'000
Revenue recognised that was included in the contract liabilities balance at beginning of year	91	11,508
Transfers from the contract assets recognised at the beginning of year to trade receivables	48,611	21,830

12. Financial assets at FVOCI

	Group	
	2019	2018
	\$'000	\$'000
Quoted debt securities, at fair value		
- Instrument I	–	1,238
- Instrument II	952	1,010
	952	2,248

Movements of investments in quoted debt securities are as follows:

	Group	
	2019	2018
	\$'000	\$'000
Balance as at the beginning of the financial year	2,248	2,344
Partial redemption during the financial year	(1,255)	(299)
Interest earned	53	180
Interest received	(82)	(182)
Fair value loss recognised in other comprehensive income, net	(12)	(9)
Changes in allowance for impairment of financial assets at FVOCI	–	214
Balance as at the end of the financial year	952	2,248

During the current financial year, Instrument I was fully redeemed of the net amount of \$1,244,000. During the financial year ended 31 December 2018, there was a partial redemption of 250,000 shares of the quoted debt security Instrument I at approximately its carrying amount of \$248,000.

► NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

12. Financial assets at FVOCI (Continued)

During the financial year, there was a partial redemption of 20,000 (2018: 100,000) shares of the quoted debt security Instrument II at \$20,000 (2018: \$100,000) with a carrying amount of \$11,000 (2018: \$51,000). The Group has recognised a reversal of \$8,000 (2018: \$49,000), being part allowance for impairment for financial assets at FVOCI made in the previous year and a reversal of \$1,000 (2018: nil), being fair value loss recorded in the fair value reserve in the current financial year, as the financial assets were redeemed above the carrying amount.

Quoted debt securities

	Group			
	2019		2018	
	Coupon rate	Maturity	Coupon rate	Maturity
Instrument I	–	–	4.25%	3 April 2019
Instrument II*	3.00%	1 October 2026	5.85 - 6.35%	1 October 2021

* Pursuant to the passing of consent solicitation exercise on 30 January 2019 by the issuer of Instrument II, amongst other changes made relevant to Instrument II included: (1) extension of the tenor of its existing note by another five years from the last maturity dates to 1 October 2026; and (2) revision of coupon rate to a base rate of 3% p.a. and mandatory redemption rate to 1% p.a., payable semi-annually.

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 is presented in Note 36.1 to the financial statements.

The interest earned on the quoted debt securities amounting to \$53,000 (2018: \$180,000) is recognised in profit or loss under the "Other income" line item.

The investments in quoted debt securities are denominated in Singapore dollars.

13. Inventories

	Group	
	2019	2018
	\$'000	\$'000
Raw materials	154	212
Hardware parts and consumables	1,125	728
	<u>1,279</u>	<u>940</u>

The cost of inventories recognised as expenses and recorded in "cost of sales" in profit or loss amounted to \$19,326,000 (2018: \$30,192,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

14. Trade and other receivables

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Trade receivables				
- third parties	39,503	37,946	-	-
- joint venture	656	2,051	-	-
Retention sums on construction contracts	12,376	12,508	-	-
	52,535	52,505	-	-
Less:				
Loss allowance ¹	(9,156)	(9,728)	-	-
	43,379	42,777	-	-
Other receivables				
- third parties	42	15	-	-
- employees	50	24	-	-
- subsidiaries	-	-	1,867	3,000
	92	39	1,867	3,000
Deposits				
- refundable ²	879	1,065	-	18
- non-refundable	537	277	-	-
	1,416	1,342	-	18
Trade and other receivables	44,887	44,158	1,867	3,018
Add/(Less):				
Cash and cash equivalents	4,484	8,509	153	164
Contract assets	77,852	73,327	-	-
Non-refundable deposits	(537)	(277)	-	-
Financial assets at amortised cost	126,686	125,717	2,020	3,182

¹ Includes loss allowance for retention sums on construction contracts of \$1,663,000 (2018: \$1,567,000).

² Includes deposit for purchase of plant and equipment of \$80,000 (2018: \$nil).

Trade receivable from third parties and joint venture are unsecured, non-interest bearing and generally on 30 to 60 days' (2018: 30 to 60 days') credit terms.

Non-trade receivable from subsidiaries are unsecured, non-interest bearing and repayable on demand and are to be settled in cash.

These receivables are not secured by any collateral or credit enhancements.

► NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

14. Trade and other receivables (Continued)

Movements in loss allowance on trade receivables and retention sums were as follows:

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Balance as at the beginning of the financial year	9,728	5,157	–	–
Loss allowance made (Note 27)	216	4,813	–	–
Bad debts written-off	(788)	(242)	–	–
Balance as at the end of the financial year	<u>9,156</u>	<u>9,728</u>	<u>–</u>	<u>–</u>

As at 31 December 2019, trade receivables of \$788,000 (2018: \$242,000) were past due and fully impaired and written-off. The receivables written-off at the end of financial year relate to customers which the recoverability is remote.

Trade receivables of approximately \$4,712,000 (2018: \$4,795,000) are subject to a negative pledge as security for the banking facilities as set out in Note 21 to the financial statements.

Trade and other receivables are denominated in Singapore dollar.

15. Cash and cash equivalents

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Singapore dollar	4,369	7,006	153	164
United States dollar	110	1,416	–	–
British pound sterling	1	1	–	–
Euro	4	86	–	–
	<u>4,484</u>	<u>8,509</u>	<u>153</u>	<u>164</u>

16. Share capital

	Group and Company			
	Number of ordinary shares		\$'000	\$'000
	2019	2018	2019	2018
<u>Issued and fully-paid</u>				
Balance as at the beginning and end of the financial year	<u>151,384,600</u>	<u>151,384,600</u>	<u>38,676</u>	<u>38,676</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

17. Other reserves

	Group	
	2019	2018
	\$'000	\$'000
Asset revaluation reserve	11,328	11,969
Merger reserve	(26,160)	(26,160)
Fair value reserve	(104)	(101)
	(14,936)	(14,292)

Asset revaluation reserve

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

	Group	
	2019	2018
	\$'000	\$'000
Balance as at the beginning of the financial year	11,969	10,833
(Loss)/Gain on revaluation (Note 4)	(641)	1,136
Balance as at the end of the financial year	11,328	11,969

Merger reserve

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

	Group	
	2019	2018
	\$'000	\$'000
Balance as at the beginning and end of the financial year	(26,160)	(26,160)

Fair value reserve

Fair value reserve represents the cumulative fair value changes of financial assets until they are derecognised or impaired.

	Group	
	2019	2018
	\$'000	\$'000
Balance as at the beginning of the financial year (2018: under FRS 39)	(101)	421
Re-class to accumulated profits at 1 January 2018 upon adoption of SFRS(I) 9 – FVTPL financial assets	–	(513)
Fair value changes on financial assets at FVOCI (Note 12)	(12)	(9)
Reversal of fair value loss in financial assets at FVOCI upon redemption (Note 12)	9	–
Balance as at the end of the financial year	(104)	(101)

► NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

18. Accumulated profits

	Company	
	2019 \$'000	2018 \$'000
Balance as at the beginning of the financial year	5,361	6,257
Loss for the financial year	(318)	(63)
Dividend (Note 30)	–	(833)
Balance as at the end of the financial year	<u>5,043</u>	<u>5,361</u>

19. Trade and other payables

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Current				
Trade payables				
- third parties	25,553	29,939	–	–
- related parties	11,835	7,073	–	–
- joint venture	60	–	–	–
Retention sums payable to subcontractors	2,333	2,154	–	–
	<u>39,781</u>	<u>39,166</u>	–	–
Other payables				
- third parties	1,202	1,207	100	430
a related party	111	351	–	–
staff retention monies	148	187	–	–
- Directors	997	890	63	63
- related parties*	3,140	3,240	–	–
- a subsidiary	–	–	–	598
	<u>5,598</u>	<u>5,875</u>	<u>163</u>	<u>1,091</u>
Refundable deposits	557	1,867	–	–
Advance from contract customers	1,000	–	–	–
Accrued expenses	4,237	3,631	40	46
Trade and other payables	<u>51,173</u>	<u>50,539</u>	<u>203</u>	<u>1,137</u>
Add/(Less):				
Goods and services tax payable	(867)	(746)	–	–
Advance from contract customer	(1,000)	–	–	–
Provision for unutilised leave	(272)	(203)	–	–
Lease liabilities	57,933	37,229	–	–
Bank borrowings	67,349	63,862	–	–
Other financial liabilities at amortised cost	<u>174,316</u>	<u>150,681</u>	<u>203</u>	<u>1,137</u>

* 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

19. Trade and other payables (Continued)

Trade payable due to third parties are unsecured, non-interest bearing and generally on 30 to 60 days' (2018: 30 to 60 days') credit terms. Trade payable due to related parties 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 and are to be settled in cash.

Trade and other payables are denominated in Singapore dollar.

20. Lease liabilities/ finance lease payables

	Group \$'000
At 1 January 2019	
- Finance lease liabilities under SFRS(I) 1-17	37,229
- Adoption of SFRS(I) 16 (Note 2.1)	18,294
	<u>55,523</u>
Settlement of acquisition of property, plant and equipment under trade and other payables in prior year via leases	1,848
Additions	21,373
Modifications to lease terms	419
Gain on lease modification	(95)
Interest expense	1,780
Lease payments	
- Principal portion	(21,563)
- Interest portion	(1,352)
At 31 December 2019	<u>57,933</u>

The maturity analysis of lease liabilities of the Group at each reporting date are as follows:

	Group	
	2019	2018
	\$'000	\$'000
Contractual undiscounted cash flows		
- Not later than one year	18,755	15,497
- Later than one year and not later than five years	40,173	23,629
- After five years	4,109	-
	<u>63,037</u>	<u>39,126</u>
Less: Future interest expense	(5,104)	(1,897)
Present value of lease liabilities	<u>57,933</u>	<u>37,229</u>

► NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

20. Lease liabilities/ finance lease payables (Continued)

	Group	
	2019	2018
	\$'000	\$'000
Presented in consolidated statement of financial position		
- Non-current	40,462	22,279
- Current	17,471	14,950
	<u>57,933</u>	<u>37,229</u>

Amount recognised in profit or loss:

	Group
	2019
	\$'000
Depreciation of right-of-use assets (Note 5 and 27)	13,519
Interest expense on lease liabilities (Note 26)	1,780
Short term lease expense not capitalised in lease liabilities:	
- trucks and equipment (Note 27)	2,876
- rental of premises (Note 27)	836
- construction site and other operating facilities (Note 27)	84
Gain on lease modification (Note 25)	(95)
Total amount recognised in profit or loss	<u>19,000</u>

The Group leases land use rights, machineries, trucks and vehicles. The annual rental are subject to annual revision based on prevailing market rate. Certain lease of machineries contains a purchase option. The Group will only include this option in determining the lease liability when it is reasonably certain that the option will be exercised.

During the year, the rental rates for certain machineries, truck and vehicles were reviewed and revised based on prevailing market rate, resulted in a gain on lease modification of \$95,000. The lease term was 2 to 22 years (2018: 3 to 5 years). As at 31 December 2019, the weighted average incremental borrowing rate applied and weighted average interest rate implicit in the lease was 3.18% and 3.86% respectively. As at 31 December 2018, the Group leases certain machineries and trucks and vehicles under finance lease and the average discount rate implicit in the finance lease was 3.38% per annum. The Group's lease liabilities of \$41,038,000 (2018: \$37,229,000) was secured over certain machinery and vehicles (Note 5, 2018: Note 4) and a corporate guarantee by the Company (Note 35.3).

The lease liabilities are denominated in Singapore dollar.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

21. Bank borrowings

	Group	
	2019	2018
	\$'000	\$'000
Current		
<u>Secured</u>		
Revolving loan I	6,000	5,000
Term loan I	660	660
Term loan VI	1,151	1,115
Term loan VII	3,094	–
Trust receipts I	7,547	12,467
	18,452	19,242
<u>Unsecured</u>		
Trust receipts II	15,001	16,637
Revolving loan II	2,000	2,000
Revolving loan III	14,500	6,000
Revolving loan IV	2,000	1,000
Revolving loan V	3,000	2,300
Term loan II	430	–
Term loan III	–	1,024
Term loan V	46	272
Term loan VIII	332	–
	37,309	29,233
Total current bank borrowings	55,761	48,475
	Group	
	2019	2018
	\$'000	\$'000
Non-current		
<u>Secured</u>		
Term loan I	6,875	7,535
Term loan IV	2,600	2,634
Term loan VI	888	2,037
Term loan VII	–	3,135
<u>Unsecured</u>		
Term loan II	824	–
Term loan V	–	46
Term loan VIII	401	–
Total non-current bank borrowings	11,588	15,387
Total bank borrowings	67,349	63,862

► NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

21. Bank borrowings (Continued)

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

	Group	
	2019	2018
	%	%
Revolving loans	3.50	2.89
Term loans	2.97	2.42
Trust receipts	3.19	2.97

As at 31 December 2019 and 2018, the revolving loan I is secured through the legal mortgage over a leasehold property of the Group (Note 4) and first legal assignment of all the rights, title, interests and benefits arising from Policy I (Note 6).

Term loan I is repayable over a period of 20 years by monthly instalments commencing from May 2011. As at 31 December 2019 and 2018, term loan I is secured by the legal mortgage over a leasehold property of the Group (Note 4).

Term loan VI is repayable over a period of 4 years by monthly instalments commencing from October 2017. As at 31 December 2019 and 2018, term loan VI is secured through the legal mortgage over a leasehold property of the Group (Note 4).

As at 31 December 2019 and 2018, the trust receipts I are secured through the legal mortgage over a leasehold property of the Group (Note 4), first legal assignment of all the rights, title, interests and benefits arising from Policies I and II (Note 6) and by a negative pledge on trade receivables (Note 14) for a subsidiary.

Term loan II is repayable over a period of 4.5 years by monthly instalments commencing from November 2019.

Term loan III was repayable over a period of 3 years by monthly instalments commencing from January 2017 and fully repaid during the financial year.

Term loan V is repayable over a period of 3 years by monthly instalments commencing from March 2017.

Term loan IV is repayable in full in year 2022. As at 31 December 2019 and 2018, term loan IV is secured through the legal mortgage over a leasehold property of the Group (Note 4) and first legal assignment of all the rights, title, interests and benefits arising from Policy I (Note 6).

Term loan VII is repayable in full in year 2020. As at 31 December 2019 and 2018, the term loan VII is secured through the first legal assignment of all the rights, title, interests and benefits arising from Policy II (Note 6).

Term loan VIII is repayable over a period of 3 years by monthly instalments commencing from February 2019.

As at 31 December 2019, all the bank borrowings are supported by a corporate guarantee from the Company (Note 35.3).

Bank borrowings are denominated in the following currencies:

	Group	
	2019	2018
	\$'000	\$'000
Singapore dollar	61,655	58,093
United States dollar	5,694	5,769
	67,349	63,862

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

22. Deferred income

	Group	
	2019	2018
	\$'000	\$'000
Current		
Deferred gain on sale and leaseback transactions		
- lease liabilities	793	834
Non-current		
Deferred gain on sale and leaseback transactions		
- lease liabilities	957	1,750
	1,750	2,584

23. 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	Others	Total
	\$'000	\$'000	\$'000
Group			
Balance as at 1.1.2019	5,576	(31)	5,545
Charged/(Credited) to profit or loss	432	(11)	421
Balance as at 31.12.2019	6,008	(42)	5,966
Balance as at 1.1.2018	6,147	(40)	6,107
Charged/(Credited) to profit or loss	(571)	9	(562)
Balance as at 31.12.2018	5,576	(31)	5,545

24. Revenue

(a) Disaggregation of revenue

	Group	
	2019	2018
	\$'000	\$'000
By nature		
Revenue from civil engineering contract works	119,007	157,030
Inland logistics support service income	12,139	10,295
Sales of construction materials	3,430	11,986
	134,576	179,311
By timing of revenue recognition		
At a point in time	15,569	22,281
Over time	119,007	157,030
	134,576	179,311

► NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

24. Revenue (Continued)

- (b) Transaction price allocated to remaining performance obligations

The transaction price allocated to performance obligation that are unsatisfied (or partially unsatisfied) in relation to project works are as follows:

	Remaining performance obligations	
	2019 \$'000	2018 \$'000
Group		
Within two years	171,533	110,323
Later than two years and not later than five years	37,117	34,069
Later than five years	14,692	23,679
	<u>223,342</u>	<u>168,071</u>

25. Other income

	Group	
	2019 \$'000	2018 \$'000
Amortisation of gain on sale and leaseback transactions	834	298
Fair value gain of financial assets at FVTPL	163	159
Foreign exchange gain, net	28	7
Government grants	291	281
Insurance claim monies received	573	54
Gain on disposal of property, plant and equipment and right-of-use assets	51	–
Gain on lease modification	95	–
Bad debts recovered	43	–
Interest income from		
- banks	5	20
- financial assets at fair value FVTPL	53	180
Lease income		
- leasehold properties	–	38
- other operating facilities	566	540
Changes in allowance for impairment of financial assets at FVOCI	–	214
Reversal of allowance for impairment of financial assets at FVOCI upon redemption	6	49
Sundry income	1,230	611
	<u>3,938</u>	<u>2,451</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

26. Finance costs

	Group	
	2019 \$'000	2018 \$'000
Interest expenses		
- bank overdrafts	8	–*
- lease liabilities	1,780	1,022
- late payment	5	3
- revolving loans	879	492
- term loans	352	346
- trust receipts	652	686
	3,676	2,549
Bank charges	174	221
	3,850	2,770

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

27. 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	
	2019 \$'000	2018 \$'000
<u>Cost of sales and services</u>		
Employee benefits expense		
- salaries, wages and other benefits	18,791	17,342
- contribution to Central Provident Fund	142	135
Depreciation of property, plant and equipment	5,419	14,603
Depreciation of right-of-use assets	13,251	–
Diesel/fuel costs	14,582	16,564
Material costs	14,829	35,508
Short term lease expense (2018: Operating lease expense)		
- trucks and equipment	2,876	5,139
- rental of premises	836	1,277
Repair and maintenance	9,310	12,074
Subcontract costs	20,476	35,293

► NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

27. Profit before income tax (Continued)

	Group	
	2019	2018
	\$'000	\$'000
<u>Administrative expenses</u>		
Employee benefits expense		
- salaries, wages and other benefits	16,272	14,823
- contribution to Central Provident Fund	812	680
Directors' fees	125	125
Directors' remuneration		
- salaries, wages and other benefits	1,453	1,768
- contribution to Central Provident Fund	52	52
Depreciation of property, plant and equipment	658	643
Depreciation of right-of-use assets	268	–
Short term lease expense (2018: Operating lease expense)		
- construction site and other operating facilities	84	1,102
Expenses related to proposed dual listing	5	719
	<hr/>	<hr/>
<u>Other expenses</u>		
Allowance for impairment of property, plant and equipment and right-of-use assets	52	166
Amortisation of intangible assets	16	14
Loss on disposal of property, plant and equipment	–	155
Penalty and fine	29	102
	<hr/>	<hr/>
<u>Loss allowance on trade receivables and contract assets</u>		
Loss allowance on trade receivables (Note 14)	216	4,813
Loss allowance on contract assets (Note 11)	37	113
	<hr/>	<hr/>

28. Income tax expense

	Group	
	2019	2018
	\$'000	\$'000
Current income tax		
- current financial year	358	2,500
- underprovision in prior financial years	422	135
	<hr/>	<hr/>
	780	2,635
Deferred tax		
- current financial year	771	(619)
- (over)/underprovision in prior financial years	(350)	57
	<hr/>	<hr/>
	421	(562)
	<hr/>	<hr/>
	1,201	2,073
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

28. Income tax expense (Continued)

Reconciliation of effective income tax rate

Singapore income tax is calculated at 17% (2018:17%) 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	
	2019 \$'000	2018 \$'000
Profit before income tax	5,122	7,139
Income tax calculated at Singapore's statutory tax rate	871	1,214
Tax effect of:		
- income not subject to tax	(222)	(204)
- expenses not deductible for tax purposes	605	1,043
- tax rebates and enhanced allowances	(132)	(127)
- Singapore statutory income exemption and incentives	(17)	(26)
Underprovision of current income tax in prior financial years	422	135
Underprovision of deferred tax in prior financial years	(350)	57
Others	24	(19)
	1,201	2,073

Tax on other comprehensive income for 2019 and 2018 is nil.

29. Earnings per share

Basic earnings per share

The calculation for earnings per share is based on:

	Group	
	2019	2018
Profit attributable to owners of the parent (\$'000)	3,953	5,326
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)	2.61	3.52

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 2019 and 2018 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.

▶ NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

30. Dividend

	Group and Company	
	2019	2018
	\$'000	\$'000
Final tax-exempt dividend of \$0.0055 per ordinary share in respect of financial year ended 31 December 2017	–	833
	–	833

The Company did not recommend any dividend in respect of the financial years ended 31 December 2019 and 2018.

31. 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	
	2019	2018
	\$'000	\$'000
<u>With related parties*</u>		
Rental of other operating facilities from a related party	–	159
Rental of equipment and trucks from related parties	2,850	3,271
<u>With a joint venture</u>		
Provision of subcontract services to a joint venture	3,078	8,530
Soil disposal service provided to the Group	167	325

The outstanding balances as at 31 December 2019 and 2018 with related parties and joint venture are disclosed in Note 14 and Note 19.

* The related parties refer to entities controlled by or associated with the Executive Directors of the Company which are not within the Group.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

31. 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 2019 and 2018 were as follows:

	Group	
	2019	2018
	\$'000	\$'000
Directors of the Company		
- Directors' fees	125	125
- short-term employee benefits	1,453	1,768
- post-employment benefits	52	52
	1,630	1,945
Directors of subsidiaries		
- short-term employee benefits	105	105
- post-employment benefits	7	7
	112	112
Other key management personnel		
- short-term employee benefits	557	547
- post-employment benefits	64	65
	621	612
	2,363	2,669

32. Operating lease commitments

The Group as lessee

As at 31 December 2019, the Group has approximately \$448,000 of aggregate undiscounted commitments for short-term leases.

As at 31 December 2018, commitments in respect of non-cancellable operating leases in respect of land use rights for leasehold properties and construction sites, dormitories and other operating facilities to third parties at the end of the financial year are as follows:

	Group
	2018
	\$'000
Not later than one year	1,192
Later than one year and not later than five years	1,101
Later than five years	4,366
	6,659

As at 31 December 2018, leases for the two leasehold properties have tenure of 30 years (expiring in 2020) and 52 years (expiring in 2040) with no provisions for contingent rent. The leases include a clause to enable upward revision of the rental charge based on prevailing market rate.

As at 31 December 2018, leases for construction sites and other operating facilities are negotiated for an average of 1 to 3 years and rentals are fixed for an average of 1 to 3 years with no provisions for contingent rent or upward revision of rent based on market price indices.

▶ NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

33. Capital commitments

As at 31 December 2019, commitments in respect of capital expenditure, are as follows:

	Group	
	2019 \$'000	2018 \$'000
Capital expenditure approved and contracted for but not provided for in the financial statements		
- Commitments for the acquisition of property, plant and equipment	1,564	-

34. Segment information

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker (Note 2.24). 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

34. Segment information (Continued)

Business segment	Civil engineering contract works \$'000	Inland logistics support \$'000	Sale of construction materials \$'000	Unallocated \$'000	Elimination \$'000	Consolidated \$'000
2019						
<u>Revenue</u>						
External revenue	119,007	12,139	3,430	–	–	134,576
Inter-segment revenue	9,876	832	856	–	(11,564)	–
	128,883	12,971	4,286	–	(11,564)	134,576
<u>Results</u>						
Segment results	24,217	1,754	383	(18,716)	117	7,755
Share on results in a joint venture	985	–	–	–	–	985
Interest income						58
Interest expenses						(3,676)
Profit before income tax						5,122
Income tax expense						(1,201)
Profit for the financial year						3,921
<u>Non-cash items</u>						
Amortisation of gain on sale and leaseback transactions	834	–	–	–	–	834
Gain on disposal of property, plant and equipment	–	–	–	51	–	51
Depreciation of property, plant and equipment	(4,327)	(823)	(269)	(775)	117	(6,077)
Depreciation of right-of-use assets	(13,035)	(216)	–	(268)	–	(13,519)
Amortisation of intangible assets	–	–	–	(16)	–	(16)
Fair value gain of financial assets at FVTPL	–	–	–	163	–	163
Reversal of allowance for impairment of financial assets at FVOCI upon redemption	–	–	–	6	–	6
Changes in allowance for impairment of property, plant and equipment	(129)	77	–	–	–	(52)
Loss allowance on trade receivables and contract assets	(195)	(26)	(32)	–	–	(253)

► NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

34. Segment information (Continued)

Business segment	Civil engineering contract works \$'000	Inland logistics support \$'000	Sale of construction materials \$'000	Unallocated \$'000	Elimination \$'000	Consolidated \$'000
2018						
<u>Revenue</u>						
External revenue	157,030	10,295	11,986	–	–	179,311
Inter-segment revenue	4,229	1,568	972	–	(6,769)	–
	<u>161,259</u>	<u>11,863</u>	<u>12,958</u>	<u>–</u>	<u>(6,769)</u>	<u>179,311</u>
<u>Results</u>						
Segment results	31,122	1,095	(4,267)	(19,346)	(745)	7,859
Share on results in a joint venture	1,629	–	–	–	–	1,629
Interest income						200
Interest expenses						(2,549)
Profit before income tax						<u>7,139</u>
Income tax expense						<u>(2,073)</u>
Profit for the financial year						<u>5,066</u>
<u>Non-cash items</u>						
Amortisation of gain on sale and leaseback transactions	298	–	–	–	–	298
Loss on disposal of property, plant and equipment	–	–	–	(155)	–	(155)
Depreciation of property, plant and equipment	(12,102)	(1,164)	(1,337)	(747)	104	(15,246)
Amortisation of intangible assets	–	–	–	(14)	–	(14)
Fair value gain of financial assets at FVTPL	–	–	–	159	–	159
Changes in allowance for impairment of financial assets at FVOCI	–	–	–	214	–	214
Reversal of allowance for impairment of financial assets at FVOCI upon redemption	–	–	–	49	–	49
Allowance for impairment of property, plant and equipment	(53)	(113)	–	–	–	(166)
Loss allowance on trade receivables and contract assets	(354)	–	(4,722)	–	150	(4,926)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

34. Segment information (Continued)

Major customers

For the financial year ended 31 December 2019, the revenue from 2 (2018: 2) major customers of the Group amounted to approximately \$52,264,000 (2018: \$69,404,000) of the total revenue from civil engineering services and sale of construction materials segments.

Geographic information

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

35. 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.

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.

35.1 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.

The Group's major classes of financial assets are financial assets at fair value, trade and other receivables, contract assets and cash and cash equivalents.

As at 31 December 2019, approximately 21% (2018: 16%) of the Group's trade receivable from third parties (including retention sums on construction contracts) were due from 1 customer.

As at 31 December 2019, approximately 55% (2018: 57%) of the Group's contract assets were due from 4 customers (2018: 4 customers).

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

Cash and cash equivalents

Cash and cash equivalents are mainly deposits with banks with high credit-ratings assigned by international credit rating agencies. Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents is negligible.

Trade receivables and contract assets

There is no other class of financial assets that is past due and/or impaired except for trade receivables, retention sums and contract assets.

► NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

35.1 Credit risks (Continued)

The lifetime expected loss allowance for Group's trade receivables is as follows:

Group	Current \$'000	1 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	More than 90 days \$'000	Total \$'000
2019						
Gross carrying amount						
- Trade receivables	23,899	2,134	799	934	11,737	39,503
- Retention sums	963	139	108	108	11,058	12,376
- Contract assets	78,679	-	-	-	-	78,679
Loss allowance						
- Trade receivables & retention sums*	(4)	(9)	(7)	(8)	(9,128)	(9,156)
- Contract assets	(827)	-	-	-	-	(827)
2018						
Gross carrying amount						
- Trade receivables	21,675	2,230	986	726	12,329	37,946
- Retention sums	708	242	201	244	11,113	12,508
- Contract assets	74,117	-	-	-	-	74,117
Loss allowance						
- Trade receivables & retention sums*	-	(9)	-	(35)	(9,684)	(9,728)
- Contract assets	(790)	-	-	-	-	(790)

* This amount includes \$7,682,000 (2018: \$8,655,000) which is related to credit-impaired balances from several customers who are not likely to repay the outstanding balances mainly due to economic circumstances or who have defaulted in payment terms.

The carrying amount of trade receivables individually determined to be impaired are mostly past due for more than 90 days (Note 14).

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

Other receivables

For the Company's non-trade receivables due from subsidiaries amounting \$1,867,000 (2018: \$3,000,000) (Note 14), management has taken into account the available internal information on the subsidiaries' past, current and expected operating performance and cash flow position. The management monitors and assesses at each reporting date on any indicator of change in credit risk on the amount due from the subsidiaries, by considering its financial performance and any default in external debts. The risks of default is considered to be minimal and subject to immaterial credit loss.

The Company has issued corporate guarantee to several banks for banking facilities granted to subsidiaries. As the Company does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position, except for the corporate guarantees provided to banks on subsidiaries' loans (Note 35.3). Based on management's assessment at the end of the financial year, the Group considers the 12-month expected credit loss for corporate guarantee to be immaterial.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

35.2 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 cash equivalents (Note 15), financial assets at FVTPL (Note 6) and bank borrowings (Note 21).

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 significant monetary assets and monetary liabilities in foreign currency at the end of the reporting period are as follows:

	Group	
	2019	2018
	\$'000	\$'000
<u>Monetary assets</u>		
United States dollar	5,425	6,637
	<hr/>	<hr/>
<u>Monetary liabilities</u>		
United States dollar	5,694	5,769
	<hr/>	<hr/>

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 10% (2018: 10%) change in Singapore dollar against the United States dollar. The sensitivity analysis assumes an instantaneous 10% (2018: 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	
	2019	2018
	\$'000	\$'000
Group		
<u>United States dollar</u>		
Strengthened against Singapore dollar	(22)	72
Weakened against Singapore dollar	22	(72)
	<hr/>	<hr/>

► NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

35.2 Market risks (Continued)

Interest rate risks

The Group's exposure to market risk for changes in interest rates relates primarily to lease liabilities and bank borrowings as shown in Notes 20 and 21 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 lease liabilities 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% (2018: 0.5%), the Group's profit or loss and equity will decrease or increase by approximately \$277,000 (2018: \$284,000) as at 31 December 2019, arising mainly as a result of higher or lower interest on floating rates for lease liabilities and bank borrowings. The interest expense from lease liabilities 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. The Group does not actively trade the debt securities.

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 10% (2018: 10%) change in the debt securities prices from the end of the financial year, with all variables held constant.

	Increase/(Decrease)	
	Equity	
	2019	2018
	\$'000	\$'000
Group		
Quoted debt securities		
Increase by 10% (2018: 10%)	79	187
Decrease by 10% (2018: 10%)	(79)	(187)

35.3 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

35.3 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					
2019					
<u>Financial liabilities</u>					
Trade and other payables	–	49,034	–	–	49,034
Lease liabilities	3.18 – 3.86	18,755	40,173	4,109	63,037
Bank loans, floating interest rates:					
- revolving loans	3.50	28,463	–	–	28,463
- term loans	2.97	6,134	9,020	5,130	20,284
Trust receipts	3.19	22,741	–	–	22,741
		<u>125,127</u>	<u>49,193</u>	<u>9,239</u>	<u>183,559</u>
2018					
<u>Financial liabilities</u>					
Trade and other payables	–	49,590	–	–	49,590
Finance lease payables	3.38	15,497	23,629	–	39,126
Bank loans, floating interest rates:					
- revolving loans	2.89	16,770	–	–	16,770
- term loans	2.42	3,467	11,230	5,148	19,845
Trust receipts	2.97	29,226	–	–	29,226
		<u>114,550</u>	<u>34,859</u>	<u>5,148</u>	<u>154,557</u>
Company					
2019					
Other payables	–	<u>203</u>	–	–	<u>203</u>
2018					
Other payables	–	<u>1,137</u>	–	–	<u>1,137</u>

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.

The repayment terms of the lease liabilities and bank borrowings are disclosed in Notes 20 and 21 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 subsidiary 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 (2018: 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 \$108,387,000 (2018: \$101,091,000). The Company considers that it is more likely than not that no amount will be payable under the arrangement, hence the Company has not recognised any liability in respect of the corporate guarantee.

► NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

35.4 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 16 and 17 to the financial statements respectively.

The Group and the Company are in compliance with externally imposed capital requirements which are the bank covenants in relation to the bank borrowings included in Note 21 to the financial statements, for the financial years ended 31 December 2019 and 2018.

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, lease liabilities and borrowings less cash and cash equivalents. Total equity comprises of share capital and reserves after netting off non-controlling interests.

	Group	
	2019	2018
	\$'000	\$'000
Trade and other payables	51,173	50,539
Lease liabilities	57,933	37,229
Bank borrowings	67,349	63,862
Less: Cash and cash equivalents	(4,484)	(8,509)
Net debt	171,971	143,121
Total equity	73,591	70,314
Total capital	245,562	213,435
Gearing ratio	70%	67%

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

36. Fair value measurement

36.1 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 bank borrowings approximates their respective fair values as at the end of the reporting period as these are at floating interest rates and repriced regularly.

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

	Recurring fair value measurement using:		
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Group			
31 December 2019			
<u>Assets</u>			
Financial assets at FVOCI	952	–	–
- quoted debt securities			
Financial assets at FVTPL			
- investments in life insurances	–	–	5,315
Total	<u>952</u>	<u>–</u>	<u>5,315</u>
31 December 2018			
<u>Assets</u>			
Financial assets at FVOCI			
- quoted debt securities	2,248	–	–
Financial assets at FVTPL			
- investments in life insurances	–	–	5,221
Total	<u>2,248</u>	<u>–</u>	<u>5,221</u>

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.

► NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

36. Fair value measurement (Continued)

36.2 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 2019				
Leasehold properties				
Held for own use	19,400,000	Market comparable approach	Yield adjustments*	The higher the yield adjustments, the higher the fair value
31 December 2018				
Leasehold properties				
Held for generating operating lease income and own use	21,900,000	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 SFRS(I) 13 Fair Value Measurement guidance.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

36. Fair value measurement (Continued)

36.3 Reconciliation of opening and closing fair value balance

The reconciliation of the opening and closing fair value balance of Levels 1 & 3 financial and non-financial assets are provided below:

- Revalued leasehold properties - property, plant and equipment (Note 4)
- Financial assets at fair value (Note 6 and Note 12)

37. Events subsequent to the reporting date

37.1 Effect of the Coronavirus Outbreak

On 31 January 2020, the World Health Organisation announced that the novel Coronavirus ("Covid-19") Outbreak as a global health emergency. The Group had taken precautionary measures and implemented operational protocols in its operations globally since January 2020 in response to the growing concerns over the Covid-19 outbreak. All precautions are taken to ensure the safety and well-being of our employees.

Due to Covid-19 outbreak situation in Malaysia, on 16 March 2020 Malaysian Government announced a 14-day Restricted Movement Control Order ("RMCO"), where all Malaysians are prohibited from leaving Malaysia, and all businesses are to be closed except for those involved in certain essential goods and services, commencing on 18 March 2020. The RMCO has been extended from 31 March 2020 till 14 April 2020 as announced by Malaysian Government on 25 March 2020 and further till 12 May 2020 as announced by Malaysian Government on 23 April 2020.

We have made accommodation arrangement for our Group's Malaysian employees who commutes daily to and fro across the causeway during the period of the RMCO.

The Multi-Ministry Taskforce of Singapore Government (the "Taskforce") has implemented an elevated set of safe distancing measures, as a circuit breaker to pre-empt the trend of increasing local transmission of COVID-19. These heightened safe distancing measures was in place for four weeks from 7 April 2020 until 4 May 2020 (inclusive). The Taskforce has further extended the circuit breaker period by another 4 weeks until 1 June 2020 (collectively "Circuit Breaker Period") as announced by the Singapore Government on 21 April 2020.

During the Circuit Breaker Period, workplaces, except for those in essential services and key economic sectors, have been closed to minimise further spread of the virus.

During the Circuit Breaker Period, the Group has implemented its business continuity plans, including work from home arrangements for certain key functions and looks forward to resuming normal operations as soon as it is appropriate to do so and subject to any further directive from the Government. Most construction works for the Group's ongoing projects have been suspended during the Circuit Breaker Period. We have arranged handful of staff to carry out essential activities including vector controls, earth control and safety measures.

The Government has announced financial support to help businesses hit by COVID-19. These supports include Jobs Support Scheme, foreign worker levy waivers and rebates, property tax rebates and bridging loans. As at 31 December 2019, the Group's cash and bank balances is \$4.5 million, together with the Government support and the banking facilities available to the Group, the Group is able to continue its operations.

The Building and Construction Authority (BCA) will allow construction work to resume in a controlled manner in phases after the COVID-19 circuit breaker period ends on 1 June 2020. The Company will be observing COVID-Safe practices when operations resume.

► **NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2019

37. Events subsequent to the reporting date (Continued)

37.1 Effect of the Coronavirus Outbreak (Continued)

During this difficult period, the Group's priority is the safety, health and wellbeing of its employees while at the same time ensuring the long term sustainability of its operations.

Due to the ongoing outbreak of Covid-19, the Group is unable to reasonably estimate the financial impact on the Group's business, results of operations and cash flows for the financial year ending 31 December 2020 as at the date of this report. The company will continue to monitor and assess on a regular basis in respect to events or factors that will have material impact to the Group and provide further updates to shareholders as and when appropriate since Covid-19 is expected to be prevailing throughout FY2020.

STATISTICS OF SHAREHOLDINGS

As at 30 April 2020

Issued and fully paid-up capital	:	S\$38,676,148
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per ordinary 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	15	9.26	8,500	0.01
1,001 - 10,000	45	27.78	278,400	0.18
10,001 - 1,000,000	97	59.88	13,422,200	8.87
1,000,001 - and above	5	3.08	137,675,500	90.94
Total	162	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.	BON WEEN FOONG	7,000,000	4.62
3.	ANG KONG MENG	5,078,100	3.35
4.	MAYBANK KIM ENG SECURITIES PTE. LTD.	2,619,000	1.73
5.	PHILLIP SECURITIES PTE LTD	1,218,800	0.81
6.	OCBC SECURITIES PRIVATE LIMITED	984,600	0.65
7.	DBS NOMINEES (PRIVATE) LIMITED	951,400	0.63
8.	JAMES ALVIN LOW YIEW HOCK	933,200	0.62
9.	ABN AMRO CLEARING BANK N.V.	785,100	0.52
10.	TAN YAM HON (CHEN YANHUANG)	600,000	0.40
11.	LEE TONG HONG	586,000	0.39
12.	RAFFLES NOMINEES (PTE.) LIMITED	378,100	0.25
13.	LESLIE NG ENG HIONG	369,900	0.24
14.	AW CHI-KEN BENJAMIN (HU ZHIQING)	350,000	0.23
15.	LEE LIAN CHENG	350,000	0.23
16.	LIM WEI KUN NICHOLAS (LIN WEIKUN NICHOLAS)	345,000	0.23
17.	YEOW TIK HONG	267,200	0.18
18.	GOH TUCK PENG	250,000	0.17
19.	LAU CHUN KEAN MELVIN (LIU JUNQIANG MELVIN)	240,000	0.16
20.	LIM CHONG KAI CLEMENT (LIN ZONGKAI)	231,500	0.15
	TOTAL	145,297,500	95.99

▶ STATISTICS OF SHAREHOLDINGS

As at 30 April 2020

SUBSTANTIAL SHAREHOLDERS

As recorded in the Register of Substantial Shareholders

NAME	DIRECT INTEREST		DEEMED INTEREST	
	NO. OF SHARES	%	NO. OF SHARES	%
Dandelion Capital Pte. Ltd.	121,759,600	80.43	–	–
Ng Hai Liong ¹	–	–	121,759,600	80.43
Ng Kian Ann Patrick ²	69,000	0.05	121,759,600	80.43
Ng Kian Yeow, Vincent ³	–	–	121,759,600	80.43

Notes:-

1. Mr Ng Hai Liong holds 17.0% of the shares in Dandelion Capital Pte. Ltd. ("**Dandelion**"). Mr Ng Hai Liong and his family members (who are not Directors or key executive officers of the Company) hold an aggregate of 52.0% of the shares in Dandelion. Accordingly, Mr Ng Hai Liong is deemed interested in the shares of the Company held by Dandelion by virtue of Section 7 of the Companies Act, Chapter 50 of Singapore. ("**Act**").
2. Mr Ng Kian Ann Patrick holds 25.0% of the shares in Dandelion and accordingly is deemed interested in the shares of the Company held by Dandelion by virtue of Section 7 of the Act.
3. Mr Ng Kian Yeow, Vincent holds 23.0% of the shares in Dandelion and accordingly is deemed interested in the shares of the Company held by Dandelion by virtue of Section 7 of the Act.

RULE 723 OF THE CATALIST RULES – FREE FLOAT

As at 30 April 2020, approximately 19.45% of the issued shares of the Company was held by the public. Accordingly, the Company has complied with Rule 723 of the SGX-ST Listing Manual Section B: Rules of Catalist.

NOTICE OF ► ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Huatong Global Limited (the “**Company**”) will be convened and held by way of electronic means on 19 June 2020 (Friday) 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 2019 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To re-elect the following Directors retiring pursuant to Regulation 117 of the Company’s Constitution:
 - (a) Mr Ng Hai Liong **(Resolution 2)**

Mr Ng Hai Liong, if re-elected as Director, will remain as Executive Chairman, Executive Director of the Company. Further information on Mr Ng Hai Liong can be found under the sections entitled “Board of Directors”, “Corporate Governance Report” and “Directors’ Statement” in the Annual Report.
 - (b) Mr Wee Heng Yi, Adrian **(Resolution 3)**

Mr Wee Heng Yi, Adrian will, upon re-election as a Director of the Company, remain as the Independent Director, Chairman of the Nominating Committee and a member of the Remuneration Committee and Audit 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”). Further information on Mr Wee Heng Yi, Adrian can be found under the sections entitled “Board of Directors” and “Corporate Governance Report” in the Annual Report 2019.
3. To approve the payment of Directors’ fees of S\$125,000 for the financial year ending 31 December 2020, payable half yearly in arrears (2019: S\$125,000). **(Resolution 4)**
4. To re-appoint BDO LLP as the Company’s Auditors and to authorise the Directors to fix their remuneration. **(Resolution 5)**
5. 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:

6. **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,

► NOTICE OF ANNUAL GENERAL MEETING

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, 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.

Any adjustments made in accordance with sub-paragraphs (2)(i) or (2)(ii) above shall only be made in respect of new Shares arising from convertible securities and Instruments which were issued and outstanding and/or subsisting at the time of the passing of this Resolution.

- (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 Annual General Meeting (“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 6)

7. **Authority to allot and issue shares under the Huatong Employee Share Option Scheme (the “Option Scheme”)**

“That pursuant to Section 161 of the Companies Act, Chapter 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, Huatong 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 fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) 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 7)

NOTICE OF ► ANNUAL GENERAL MEETING

8. Authority to allot and issue shares under the Huatong Performance Share Plan

“That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore, the Directors of the Company be authorised and empowered to grant awards in accordance with the provisions of the Huatong 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 Huatong Performance Share Plan, provided always that the aggregate number of shares issued and issuable pursuant to vesting of awards granted under the Huatong 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 and subsidiary holdings) in the capital of the Company on the day preceding the relevant date of the award.”

[See Explanatory Note (iii)]

(Resolution 8)

By Order of the Board

Gn Jong Yuh Gwendolyn
Company Secretary

Singapore, 28 May 2020

Explanatory Notes:

- (i) The Ordinary Resolution 6 proposed in item 6 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 issuance 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 6 is passed and any subsequent bonus issue, consolidation or subdivision of Shares.

- (ii) The Ordinary Resolution 7 in item 7 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 and subsidiary holdings) of the Company pursuant to the Huatong 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. 6.
- (iii) The Ordinary Resolution 8 in item 8 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM 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 Huatong Performance Share Plan in accordance with the provisions of the Huatong 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 Huatong Performance Share Plan subject to the maximum number of shares prescribed under the terms and conditions of the Huatong Performance Share Plan.

The aggregate number of ordinary shares which may be allotted and issued pursuant to the Huatong 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 and subsidiary holdings) of the Company from time to time. This authority is in addition to the general authority to issue shares sought under Ordinary Resolution No. 6.

▶ NOTICE OF ANNUAL GENERAL MEETING

Important Notes to Shareholders on arrangements for the AGM:

1. The AGM is being convened, and will be held, by electronic means pursuant to COVID-19 (Temporary Measures)(Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.
2. Printed copies of this Notice of AGM and the Annual Report for the financial year ended 31 December 2019 (the “FY2019 Annual Report”) will not be sent to members. Instead, this Notice of AGM and the FY2019 Annual Report may be accessed at the Company’s website at the URL <http://huationg.listedcompany.com/> and will also be available on SGXNET at the URL <https://www.sgx.com/securities/company-announcements>.
3. Alternative arrangements relating to attendance at the AGM of the Company via electronic means (including arrangements by which the meeting may be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the Meeting in advance of the AGM of the Company, addressing of substantial and relevant questions prior to or at the AGM of the Company and voting by appointing the Chairman of the Meeting as proxy at the AGM of the Company have been made by the Company to allow members to participate at the AGM. Please refer to the below for the relevant steps and details for members to participate at the AGM.
4. **Due to the current Covid-19 restriction orders in Singapore, a member will not be able to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.** The Proxy Form for the AGM of the Company may be accessed at the Company’s website at the URL <http://huationg.listedcompany.com/> and is also available on SGXNET at the URL <https://www.sgx.com/securities/company-announcements>. Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the Proxy Form, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.
5. The Chairman of the Meeting, acting as proxy, need not be a member of the Company.
6. The Proxy Form must be submitted to the Company in the following manners:
 - (i) if submitted by post, be deposited at registered office of the Company at No. 9 Benoi Crescent, Singapore 629972; or
 - (ii) if submitted electronically, be submitted via email in Portable Document Format (PDF) format to the Company at IR_enquiry2020@huationg.com.sg.

in either case, at least 72 hours before the time fixed for holding the AGM of the Company and/or any adjournment thereof. A member who wishes to submit the Proxy Form must first download, complete and sign the Proxy Form, before submitting it by post to the address provided above, or by scanning and submitting it by way of electronic means via email to the email address provided above. **In view of the current COVID-19 restriction orders and the related safe distancing measures in Singapore which may make it difficult for members to submit the completed Proxy Forms by post, members are strongly encouraged to submit the completed Proxy Forms by way of electronic means via email.**

SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective SRS Operators to submit their votes at least seven (7) working days before the AGM.

Investors who hold Shares through depository agents (as defined in Section 81SF of the Securities and Futures Act, Chapter 289) and wish to watch the “live” audio-visual webcast of the AGM must approach their respective depository agents to pre-register at least seven (7) working days before the AGM in order to allow sufficient time for their respective depository agents to in turn pre-register their interest with the Company.

7. The Proxy Form appointing the Chairman of the Meeting as proxy must be under the hand of the appointor or of his attorney duly authorised in writing. Where the proxy form appointing the Chairman of the Meeting as proxy 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.
8. Where the Proxy Form appointing the Chairman of the Meeting as 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.
9. 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 Act.
10. The resolutions put to vote at the AGM shall be decided by way of poll.
11. **Due to the constantly evolving COVID-19 situation in Singapore, the Company may be required to change its Meeting arrangements at short notice. Members should check the Company’s website at the URL <http://huationg.listedcompany.com/> for the latest updates on the status of the AGM, if any.**

NOTICE OF ► ANNUAL GENERAL MEETING

Key dates/deadlines:

The key dates/deadlines which shareholders should take note of are summarised in the table below:

Key dates	Events
9 June 2020, 2.00 p.m. (Tuesday)	<p>Deadline for SRS investors. Deadline for SRS investors who wish to appoint the Chairman of the Meeting as proxy to approach their respective SRS operators to submit their votes.</p> <p>Investors who hold Shares through depository agents (as defined in Section 81SF of the Securities and Futures Act, Chapter 289) and wish to watch the “live” audio-visual webcast of the AGM must approach their respective depository agents to pre-register at least seven (7) working days before the AGM in order to allow sufficient time for their respective depository agents to in turn pre-register their interest with the Company.</p>
11 June 2020, 9.00 a.m. (Thursday)	<p>Members will not be able to ask questions at the AGM of the Company during the live audio-visual webcast or live audio-only stream. It is therefore important for members to submit questions to the Chairman of the Meeting in advance of the AGM of the Company.</p> <p>Deadline to submit questions. Members may submit questions related to the resolutions to be tabled for approval at the AGM of the Company to the Chairman of the Meeting in advance of the AGM of the Company by indicating their questions on the online pre-registration form at http://huatong-agm.availeasemgdwebinar.com (“Online Pre-Registration Form”) from the date of this announcement until 11 June 2020, 9.00 a.m..</p>
16 June 2020, 2.00 p.m. (Tuesday)	<p>Deadline for pre-registration and submission of proxy forms. Members must pre-register at the URL http://huatong-agm.availeasemgdwebinar.com between the date of this Notice and 2.00 p.m. on Tuesday, 16 June 2020 to enable the Company’s Shares Registrar to verify their status as members of the Company.</p> <p>Deadline for shareholders to:</p> <ul style="list-style-type: none"> (a) pre-register for “live” audio-visual webcast/“live” audio-only stream of the AGM proceedings by submitting the Online Pre-Registration Form; and (b) submit proxy forms by post or by electronic means to IR_enquiry2020@huatong.com.sg
18 June 2020, 2.00 p.m. (Thursday)	<p>Confirmation of pre-registration. Following the verification, authenticated members will receive an email by 2.00 p.m. on Thursday, 18 June 2020 which will contain the URL and password details to access the live audio-visual webcast or the toll-free telephone number to access the live audio-only stream (the “Confirmation Email”).</p> <p>Members who do not received the Confirmation Email by 2.00 p.m. on Thursday, 18 June 2020, but have pre-registered by the 16 June 2020 deadline, should contact the Company at IR_enquiry2020@huatong.com.sg with the full name of the member and his/her identification number (between 2.00 p.m. to 5.00 p.m. on 18 June 2020).</p> <p>Addressing questions. The Company will endeavour to address all substantial and relevant questions received from members relating to the agenda of the AGM (the “Response”) prior to or at the AGM of the Company which will be published on http://huatong.listedcompany.com/ and https://www.sgx.com/securities/company-announcements.</p>
19 June 2020, 2.00 p.m. (Friday)	<p>Annual General Meeting. Members may attend the AGM in the following manner:</p> <ul style="list-style-type: none"> (a) Click on the link in the Confirmation Email and enter the password to access the live audio-visual webcast of the AGM proceeding; or (b) Call the toll-free telephone number in the Confirmation Email and key in the ID and Password to access the live audio-only stream of the AGM proceeding.
By 17 July 2020 (Friday)	<p>Minutes of AGM of the Company. The Company will publish the minutes of the AGM together with the Response of the Company on the Company’s website at the URL http://huatong.listedcompany.com/ and on SGXNET at the URL https://www.sgx.com/securities/company-announcements within one month after the AGM of the Company.</p>

▶ NOTICE OF ANNUAL GENERAL MEETING

PERSONAL DATA PRIVACY:

By submitting a proxy form appointing the Chairman of the Meeting as proxy 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 or service providers) for the purpose of the processing and administration and analysis by the Company (or its agents or service providers) of the appointment of the Chairman of the Meeting as proxy 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 or service providers) to comply with any applicable 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.

SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION ▶

The information required under Catalist Rule 720(5) and Appendix 7F of the SGX-ST Listing Manual in respect of Directors seeking re-election at the Annual General Meeting on 28 April 2020 is set out below.

Key Information	Name of Director	
	Ng Hai Liong	Wee Heng Yi, Adrian
Date of appointment	1 August 2014	11 November 2014
Date of last re-appointment	26 April 2017	26 April 2017
Age	72	41
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	<p>The Board of Directors has approved the re-election of Mr Ng Hai Liong as Chairman and Executive Director of the Company.</p> <p>The Board has considered the recommendation of the Nomination Committee and is of the view that Mr Ng Hai Liong has the requisite experience, qualifications and capabilities as required by the Board as Director.</p>	<p>The Board of Directors has approved the re-election of Mr Wee Heng Yi, Adrian as Independent Director of the Company.</p> <p>The Board has considered the recommendation of the Nomination Committee and is of the view that Mr Wee Heng Yi, Adrian has the requisite experience, qualifications and capabilities as required by the Board as an Independent Director.</p>
Whether the appointment is executive and if so, please state the area of responsibility	Executive Director (the "ED")	Non-Executive
Job title (e.g. Lead ID, AC Chairman, AC member, etc)	Executive Chairman	Independent Director, NC Chairman and a member of the RC and the AC
Professional memberships / qualifications	Higher School Certificate	Bachelor of Laws (Honours) (National University of Singapore) Roll of solicitors in England and Wales Member of ASEAN Law Association Member of Law Society of Singapore
Working experience and occupation(s) during the past 10 years	<p>Huatong Global Limited and group of companies:</p> <ul style="list-style-type: none"> - Huatong Global Limited (Chairman and ED) - Huatong Contractor Pte. Ltd. (ED) - Soil Engineering Pte Ltd. (ED) <p>Dandelion Capital Pte. Ltd. (Director) NHL-Capitals Pte. Ltd. (Director) NHL Holding Pte. Ltd. (Director) NHL Investment Pte. Ltd. (Director)</p>	<p>Characterist LLC</p> <ul style="list-style-type: none"> - June 2008 to present, Director - June 2009 to present, Head of the Criminal Litigation and Advocacy Practice Group <p>Pine Capital Group Limited</p> <ul style="list-style-type: none"> - March 2019 to July 2019, Independent Director
Shareholding interest in the Company and its subsidiaries	Mr Ng Hai Liong is deemed interested in the 121,759,600 ordinary shares (or 80.43%) of the Company held by Dandelion Capital Pte. Ltd. ("Dandelion") by virtue of his 17% shareholdings in Dandelion.	Nil

► SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Key Information	Name of Director	
	Ng Hai Liong	Wee Heng Yi, Adrian
Any relationship (including immediate family member relationships) with any existing director, existing executive officer, the Company and/or substantial shareholder of the Company or any of its principal subsidiaries	Mr Ng Hai Liong is the father of the Company's CEO and Executive Director, Mr Ng Kian Ann Patrick and the Company's COO and Executive Director, Mr Ng Kian Yeow, Vincent.	Nil
Conflict of Interest (including any competing business)	Nil	Nil
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) submitted to the Company?	Yes	Yes
Other Principal Commitments Including Directorships		
Present		
- Public companies	Nil	Nil
- Private companies	Huatong Contractor Pte. Ltd. Soil Engineering Pte. Ltd. NHL Holding Pte. Ltd.	Characterist LLC
Past (for the last 5 years)		
- Public companies	Nil	Pine Capital Group Limited
- Private companies	Huatong Contractor Pte. Ltd. Soil Engineering Pte. Ltd. NHL Holding Pte. Ltd.	Characterist LLC

SUPPLEMENTAL INFORMATION ON ► DIRECTORS SEEKING RE-ELECTION

	Name of Director to be re-elected	
	Ng Hai Liong	Wee Heng Yi, Adrian
<i>The general statutory disclosures of the Directors are as follows:</i>		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No

► SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Name of Director to be re-elected	
	Ng Hai Liong	Wee Heng Yi, Adrian
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-		
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
Prior Experience as a Director of a Listed Company on the Exchange		
Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange	Not applicable. This is a re-election of a director	
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	Not applicable. This is a re-election of a director	

HUATIONG GLOBAL LIMITED

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

PROXY FORM

(Please see notes overleaf before completing this Proxy Form)

IMPORTANT:

1. The Annual General Meeting ("AGM") is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 which was gazetted on 13 April 2020.
2. SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective SRS Operators to submit their votes at least seven (7) working days before the AGM by 9 June 2020, 2.00 p.m..
3. By submitting this proxy form, the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 28 May 2020.
4. Please read the notes overleaf which contain instructions on, inter alia, the appointment of the Chairman of the Meeting as a member's proxy to attend, speak and vote on his/her/its behalf at the AGM.

I/We, _____ (name) _____ (NRIC/Passport/Company Registration Number*)

of _____ (address)

being member/members* of **HUATIONG GLOBAL LIMITED** (the "**Company**"), hereby appoint the Chairman of the Annual General Meeting of the Company ("**AGM**") as my/our* proxy/proxies* to attend, speak and vote for me/us* on my/our* behalf at the AGM to be convened and held by way of electronic means on Friday, 19 June 2020 at 2.00 p.m. and at any adjournment thereof in the following manner.

If you wish to appoint the Chairman of the Meeting as your proxy to cast all your votes "For" or "Against" a resolution, please tick with "✓" in the "For" or "Against" box in respect of that resolution. Alternatively, please indicate the number of votes "For" or "Against" in the "For" or "Against" box in respect of that resolution. If you wish to appoint the Chairman of the Meeting as your proxy to abstain from voting on a resolution, please tick with "✓" in the "Abstain" box in respect of that resolution. Alternatively, please indicate the number of shares that the Chairman of the Meeting, as your proxy, is directed to abstain from voting in the "Abstain" box in respect of that resolution. In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the Meeting as your proxy for that resolution will be treated as invalid.

No.	Ordinary Resolutions relating to:	For	Against	Abstain
1.	To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2019			
2.	Re-election of Mr Ng Hai Liong as Director of the Company			
3.	Re-election of Mr Wee Heng Yi, Adrian as Director of the Company			
4.	Approval of Directors' fees amounting to S\$125,000 for the financial year ending 31 December 2020, payable half yearly in arrears (2019: S\$125,000)			
5.	Re-appointment of BDO LLP as the Company's Auditors and to authorise the Directors to fix their remuneration			
6.	Authority to allot and issue shares in the capital of the Company – Share Issue Mandate			
7.	Authority to allot and issue shares under the Huatong Employee Share Option Scheme			
8.	Authority to allot and issue shares under the Huatong Performance Share Plan			

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

Dated this _____ day of _____ 2020

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. Printed copies of the Notice of AGM and the Annual Report for the financial year ended 31 December 2019 (the "**FY2019 Annual Report**") will not be sent to members. Instead, the Notice of AGM and the FY2019 Annual Report may be accessed at the Company's website at the URL <http://huatong.listedcompany.com/>. The Notice of AGM and the FY2019 Annual Report are also available on SGXNET at the URL <https://www.sgx.com/securities/company-announcements>.
2. Alternative arrangements relating to attendance at the AGM of the Company via electronic means (including arrangements by which the meeting may be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the Meeting in advance of the AGM of the Company, addressing of substantial and relevant questions at the AGM of the Company and voting by appointing the Chairman of the Meeting as proxy at the AGM of the Company have been made by the Company to allow members to participate at the AGM. Please refer to the Notice of AGM for the relevant steps and details for members to participate at the AGM.
3. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members of the Company, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing the Chairman of the Meeting as a proxy shall be deemed to relate to all the Shares held by you.
4. **Due to the current Covid-19 restriction orders in Singapore, a member will not be able to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.** This proxy form is also accessible (a) via the Company's website at the URL <http://huatong.listedcompany.com/>, and (b) via the SGX website at the URL <https://www.sgx.com/securities/company-announcements>. Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting in respect of a resolution in the proxy form, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.
5. The Chairman of the Meeting, as proxy, need not be a member of the Company.
6. The proxy form must be submitted to the Company in the following manner:
 - (a) if submitted by post, be lodged with registered office of the Company at No. 9 Benoi Crescent, Singapore 629972; or
 - (b) if submitted electronically, be submitted via email in Portable Document Format (PDF) format to the Company at IR_enquiry2020@huatong.com.sg,

in either case, at least 72 hours before the time fixed for holding the AGM of the Company and/or any adjournment thereof. A member who wishes to submit this Proxy Form must first download, complete and sign this Proxy Form, before submitting it by post to the address provided above, or by scanning and submitting it by way of electronic means via email to the email address provided above. **In view of the current Covid-19 restriction orders and the related safe distancing measures in Singapore which may make it difficult for members to submit the completed proxy forms by post, members are strongly encouraged to submit the completed proxy forms by way of electronic means via email.**

SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective SRS Operators to submit their votes at least seven (7) working days before the AGM by **9 June 2020, 2.00 p.m.**

Investors who hold Shares through depository agents (as defined in Section 81SF of the Securities and Futures Act, Chapter 289) and wish to watch the "live" audio-visual webcast of the AGM must approach their respective depository agents to pre-register at least seven (7) working days before the AGM in order to allow sufficient time for their respective depository agents to in turn pre-register their interest with the Company.

7. The Proxy Form appointing the Chairman of the Meeting as proxy must be under the hand of the appointor or of his attorney duly authorised in writing. Where the proxy form appointing the Chairman of the Meeting as proxy 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.
8. Where the Proxy Form appointing the Chairman of the Meeting as 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 Proxy Form, failing which the Proxy Form may be treated as invalid.
9. 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 Act.

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 proxy form. In addition, in the case of Shares entered in the Depository Register, the Company may reject a proxy form 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 the Chairman of the Meeting as proxy 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 or service providers) for the purpose of the processing and administration and analysis by the Company (or its agents or service providers) of the appointment of the Chairman of the Meeting as proxy for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable 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.

BOARD OF DIRECTORS

Ng Hai Liong

(Executive Chairman)

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
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)

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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