HUATIONG

Huationg Global Limited

Annual Report 2014

Contents

Huationg Global Limited (the "**Company**") was listed on Catalist of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 9 December 2014. The initial public offering of the Company (the "**IPO**") was sponsored by PrimePartners Corporate Finance Pte. Ltd. ("**PPCF**" or the "**Sponsor**").

This annual report has been prepared by the Company and its contents have been reviewed by the Sponsor for compliance with the SGX-ST Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this annual report.

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

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

Company Profile

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

CIVIL ENGINEERING SERVICES

We are registered with the Building and Construction Authority of Singapore (“**BCA**”) with a BCA grading of A2 under the category CW02 for civil engineering which allows us to tender for public sector procurement in relation to civil engineering works of values not exceeding S$90.0 million. We provide a full range of civil engineering services from earthworks, infrastructure works, external works, demolition and excavation works, site clearance, drainage works, reinforcing bar installation, formwork, concrete installation, backfill and compaction to final handover. With our comprehensive pool of construction equipment and specialist modular formwork, we are able to undertake concrete construction projects in Singapore. We have completed civil engineering works for numerous large infrastructural construction projects in Singapore and our customers in this segment include, among others, the Housing and Development Board (“**HDB**”), the Land Transport Authority (“**LTA**”), and Daelim Industrial Co. Ltd.. In addition, we also provide stockpile management services.

INLAND LOGISTICS SUPPORT

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

SALE OF CONSTRUCTION MATERIALS

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

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

Chairman's Statement

Dear Shareholders,

It gives me great pleasure to present the inaugural annual report of Huationg Global Limited ("Huationg Global" and together with its subsidiaries, the "Group") since our successful listing on the SGX-ST Catalist on 9 December 2014.

The year ended 31 December 2014 ("**FY2014**") was filled with many challenges and changes for the Group. The highlight of the year was undoubtedly our initial public offering ("**IPO**") where we raised net proceeds of approximately S$4.1 million for our future expansion. We were extremely pleased with the response to our IPO and would like to express a heartfelt thanks to all our new shareholders for your confidence in the Group's future.

The Group performed reasonably well in FY2014 despite an uncertain business climate that included higher material prices, a hike in foreign workers' levy and heightened competition in Singapore's construction industry. Our full year revenue rose 22.9% year-on-year from S$108.5 million for the year ended 31 December 2013 ("**FY2013**") to S$133.3 million for FY2014. We also managed to grow our full year gross profit by 31.7%, from S$16.5 million in FY2013 to S$21.7 million in FY2014.

At the same time, we are also pleased to report a 2.9% year-on-year increase in our profit attributable to owners of the parent to S$5.1 million for FY2014, which was achieved despite an IPO expense of S$1.4 million in FY2014.

Looking ahead, the prospects for the Group remain positive given the pipeline of infrastructure development in Singapore. Following our successful listing, the Group is now well-positioned to capitalize on our competitive strengths to grow the Group core business in FY2015 and beyond.

Outlook

As referenced from the Building and Construction Authority News Release 2015, construction contracts for the built environment sector are expected to be buoyant in 2015, given a sustained pipeline of public sector projects. This follows an exceptionally strong performance in 2014 where the construction demand was fuelled by a higher volume of institutional and civil engineering construction contracts. Such projects include Sengkang General and Community Hospitals, Tampines Town Hub project and the award of various major contracts for the construction of Thomson-East Coast MRT Line as well as land preparation works for the upcoming Changi Airport development.

Growth strategy

For the coming year, the Group will focus on strengthening our market position in Singapore. In addition, we will also look to expand our footprint in Asia-Pacific markets such as Malaysia among others.

Chairman's Statement

We will also aim for future growth by forming strategic alliances with other parties, thus generating business synergies and enhancing the position of our Group.

Appreciation

Since its establishment in 1983, Huationg Global has grown tremendously. I strongly believe that our steady progress over the past decades would not have been possible if not for the valuable contribution from all of our stakeholders.

I would like to express my gratitude to our staff for their hard work and dedication. Their invaluable contribution to the Group's stellar performance is commendable. Thanks to them, the Group has an established track record and strong foothold in the civil engineering industry today.

My appreciation also goes to my fellow Board members for their invaluable counsel, our customers, partners and suppliers for their unwavering support. We have always believed in forging sustainable win-win partnerships with them and will continue to do so in future.

Last but not least, I would like to thank our shareholders for showing faith in the Group. We may still be in the first year of our listing, but we are already looking forward to nurturing a long-term relationship with you. We aim to do this by continually striving to enhance shareholder value and make Huationg Global a company that you can be proud of.

Ng Hai Liong
Executive Chairman

Operating and Financial Review

OPERATING REVIEW

Business Overview

Huationg Global provides a full range of civil engineering services for infrastructure projects and ancillary inland logistics support services. The Group is also involved in the sale of construction materials, including the manufacture and supply of Liquefied Soil Stabiliser ("**LSS**"), which is used as non-structural fill for buildings and other structures and for backfill in utility and road construction. Another stream of revenue involves the sale of Recycled Concrete Aggregate ("**RCA**") produced from the recycling of construction waste and aggregates.

The Group has been involved in such works for numerous large infrastructural construction projects in Singapore over the last 30 years including certain stations of the Downtown Line MRT and Circle Line MRT, the Kallang-Paya Lebar Expressway ("**KPE**") and the Marina Coastal Expressway ("**MCE**"). Its key customers in the civil engineering segment include the Housing and Development Board ("**HDB**"), Land Transport Authority of Singapore ("**LTA**") and Daelim Industrial Co. Ltd. among others.

Projects Overview

In terms of revenue segmentation, Civil Engineering services segment continued as the main contributor at S$103.8 million or 77.9% of our total revenue. The revenue amounting to S$27.4 million or 20.5% was contributed by our Inland Logistic Support segment and revenue amounting to S$2.2 million or 1.6% was contributed by our sale of construction materials segment.

During the financial year, the Group had undertaken the following key Civil Engineering projects but not limited to:

Earthworks

1. C923A - Earthworks for the construction and completion of tunnels between Tampines East MRT Station and Upper Changi MRT Station for Stage 3 of the Downtown Line project;
2. N6 - Site clearance, earthworks and temporary drainage works at Tampines Neighbourhood 6 (Part 1);
3. YCH/D/103 - Earthworks for the construction of a proposed 10-storey community hospital involving two in-patient tower blocks and a geriatric research centre tower with two basements at 100 Yishun Central (Yishun Planning Area);
4. RD 259 - Earthworks, civil engineering works, and ancillary building works for the proposed bus depot at Loyang; and
5. CT226 - Earthworks including excavation, backfilling, removal and disposal of suitable/contamined materials for Marina Bay Station and Tunnels for Thomson Line.

Infrastructure

1. C1688 - Traffic diversion and road and drainage works for the Tuas West MRT line extension; and
2. Construction of proposed roads, drains and sewers for Defu Phase 1.

Operation and maintenance of stockpile

1. Civil engineering works and operation and maintenance of a stockpile site at Tuas View Extension Area A;
2. (a) Operation, management and maintenance of the stockpile site at Changi East; and
   (b) Civil engineering term contract (Eastern Sector); and
3. C9091 - Design and construction and operation and maintenance of a stockpile site as well as operation and maintenance of the stockpile site.

Others

1. URA/T/14/004 - Design, development and construction of two 22KV electrical substations at Lim Chu Kang; and
2. Supply and installation of perimeter hoarding works for land preparation works for Airport development.

Order Book

In March 2015, the Group announced that it secured new projects totaling S$28.5 million. With these contracts, the Group has lifted its order book for civil engineering projects to approximately S$118.5 million as at 27 February 2015. These projects are expected to be delivered in stages over the next five years, providing clear revenue visibility for the Group.

In addition to its healthy order book, the Group is also actively sourcing and tendering for new projects as part of its on-going business operations. These include bids for projects both in the public and private sectors.

FINANCIAL REVIEW

Group Revenue

Revenue generated by the Group in FY2014 increased by S$24.8 million or 22.9% from S$108.5 million in FY2013 to S$133.3 million in FY2014. The increase was mainly due to a significant increase in revenue recognized from the Group's Civil Engineering services and inland logistics support services during the year.

In FY2014, revenue from Civil Engineering services rose S$24.2 million or 30.4% year-on-year to S$103.8 million due to substantial recognition of earthworks and external works such as road diversion and construction. Revenue from inland logistics support services

Operating and Financial Review

also grew by approximately S$3.5 million or 14.9% to S$27.4 million in FY2014, driven by an increase in the demand for aggregates within the construction industry and consequently, transportation requirements. There was also a pick-up in the demand for the Group's concrete pumps. These were partially offset by S$2.9 million or 56.9% decrease in revenue to S$2.2 million from the sale of construction materials, which was due to lower industry demand for filling and backfilling material given the construction stages these projects were at.

Operating Costs and Expenses

Cost of sales in FY2014 increased by approximately S$19.6 million or 21.3% from S$92.0 million in FY2013 to S$111.6 million in FY2014. The increase was mainly due to an increase in direct labor costs, subcontract costs and depreciation expenses incurred by the Group during FY2014.

Administrative expenses increased by approximately S$2.9 million or 24.8% from S$11.9 million in FY2013 to S$14.8 million in FY2014. The increase was mainly due to the increase in the foreign workers' levies, employees' benefits and lease expense on construction sites.

Other expenses increased by approximately S$2.3 million or 208.8% from S$1.1 million in FY2013 to S$3.4 million in FY2014. The increase was primarily due to the increase in impairment of trade receivables and one-time IPO expenses incurred during the financial year.

Finance costs increased by approximately S$0.2 million or 19.3% from S$1.2 million in FY2013 to S$1.4 million in FY2014. The increase was mainly due to an increase in interest expenses from the higher amount of trust receipts and bank loans utilized in FY2014.

Profit Before Income Tax

Despite rising costs in foreign workers' levies and reduction in Man Year Entitlement ("**MYE**") and one-time IPO listing expenses, the Group remained profitable at the Earnings Before Interest, Tax, Depreciation and Amortization ("**EBITDA**") level with profit of approximately S$17.9 million in FY2014. This compared to an EBITDA of approximately S$16.6 million in FY2013.

The Group's profit attributable to owners of the parent amounted to approximately S$5.1 million in FY2014, an increase of S$0.1 million from S$5.0 million in FY2013. During the year, the Group posted an operating profit after tax of approximately S$3.0 million and S$2.1 million for the first and second half of FY2014 respectively. The Group's operating profit after tax was derived after a corporate income tax of approximately S$1.1 million in FY2014.

Financial Position

As at 31 December 2014, the Group's financial position remained sound with total cash and cash equivalents of approximately S$16.4 million and equity attributable to owners of the parent of approximately S$46.1 million.

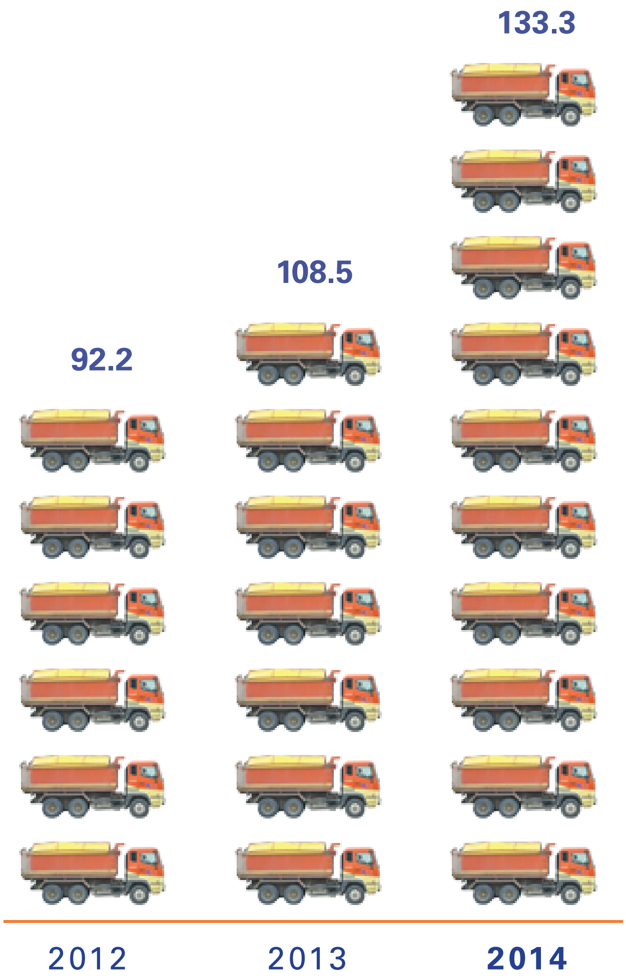
The Group generated a net increase in cash and cash equivalents of S$3.8 million in FY2014. This was mainly due to a positive net cash flow from operations of approximately S$14.0 million and offset by a net cash outflow from investing activities of approximately S$3.9 million and a net cash outflow in financing activities of S$6.2 million.

The Group's total assets as at 31 December 2014 increased by approximately S$13.0 million or 9.8% from S$133.3 million in FY2013 to approximately S$146.3 million in FY2014. This was driven primarily by an increase in property, plant and equipment and an increase in available-for-sale financial assets. Total liabilities increased by approximately S$3.7 million or 3.9% from S$96.1 million in FY2013 to approximately S$99.8 million in FY2014, attributed mainly to an increase in utilization of bank borrowings and an increase in current income tax payable, offset by a decrease in amounts due to contract customers and trade and other payables in FY2014.

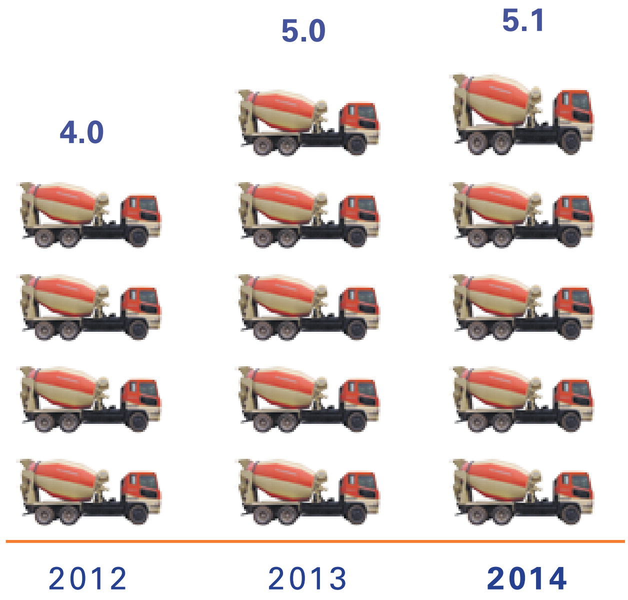
As at 31 December 2014, the Group posted a positive working capital position of approximately S$0.3 million.

Financial Highlights

Revenue *(S$ Million)*



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



Corporate Structure

Huationg Global Limited

75%

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

(incorporation in Singapore)

Provision of industrial machinery and equipment rental services

100%

Huationg Contractor Pte Ltd
("Huationg Contractor")

(incorporation in Singapore)

Provision of civil engineering services and inland construction logistics support

100%

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

(incorporation in Singapore)

Supply of construction materials

Board of Directors

Mr Ng Hai Liong

Mr Ng Kian Ann Patrick

Mr Ng Hai Liong, 67, is the Executive Chairman and Executive Director of our Group. He was appointed as an Executive Director of our Company on 1 August 2014 and is currently also a Director of Huationg Contractor, Soil Engineering, NHL Holding and NHL Investment. Mr Ng Hai Liong is responsible for overseeing the strategic positioning and business expansion of our Group, including making major business and financial decisions.

Mr Ng Hai Liong has more than 40 years of experience in the civil engineering construction industry and has been instrumental in the development and growth of our Group's business. Mr Ng Hai Liong was first employed with Swee Construction & Transport Co. Pte Ltd in 1970 as a site supervisor before joining Ng Keam Teng Construction Pte Ltd, a company providing civil engineering services, in 1973. He later set up a partnership in 1978 which was involved in the provision of civil engineering services such as roadworks and drainage works. In 1980, Mr Ng Hai Liong left the partnership and set up Huationg Contractor, where he was responsible for, among others, managing our Company's civil engineering projects and securing various overseas projects in China and Myanmar.

Mr Ng Kian Ann Patrick, 39, is the CEO and Executive Director of our Group and was appointed as CEO and Executive Director to our Company on 1 August 2014. He currently also serves as a director of Huationg Contractor, HT Equipment, NHL Holding and NHL Investment.

Mr Ng Kian Ann Patrick has more than 14 years of experience in the civil engineering construction industry and has been responsible for the overall management, operations, strategic planning and business expansion of our Group since 2000. He was responsible for the expansion of our sale of construction materials business segment as he oversaw the development and marketing of LSS by our Group in 2002 and spearheaded the initiative to recycle construction waste and aggregates in 2004. Further, under Mr Ng Kian Ann Patrick's management, Huationg Contractor was awarded the BCA grading of A2 under the category CW02 for civil engineering in 2009, which allows our Group to tender for larger value contracts.

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

Board of Directors

Mr Ng Kian Yeow, Vincent

Mr Yuen Sou Wai

Mr Ng Kian Yeow, Vincent, 36, is the COO and Executive Director of our Group and was appointed as Executive Director to our Company on 11 November 2014. Mr Ng Kian Yeow, Vincent is currently also a director of Huationg Contractor, Soil Engineering and HT Equipment.

Mr Ng Kian Yeow, Vincent has more than 13 years of experience in the civil engineering construction industry and has been responsible for the project management and overall strategic planning for project completion of our Group since 2001. Mr Ng Kian Yeow, Vincent was involved in the development and commercialisation of our Group's LSS production in 2002 and oversaw the smooth completion of various contracts, including contract C487, a major contract awarded by Daelim Industrial Co. Ltd. in 2008 for the provision of earthworks and LSS backfill services in the design, construction and completion of the Marina Coastal Expressway. He was also instrumental in our Group securing our first contract for the design and build of a bus park with LTA in 2012.

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

Mr Yuen Sou Wai, 61, is our Lead Independent Director and was appointed to our Board on 11 November 2014. Mr Yuen currently chairs the Audit Committee and is a member of our Remuneration Committee and Nominating Committee.

He is presently the Lead Independent Director and audit committee chairman of both Libra Group Limited and Chew's Group Limited which are listed on Catalist of the SGX-ST. Mr Yuen is also an Independent Director at YHI International Limited, a company listed on the Main Board of the SGX-ST. Prior to his appointment as a non-executive director of YHI International Limited, Mr Yuen was holding the position of Group Chief Financial Officer as well as executive director responsible for the group's operations in Australia, New Zealand, Italy, United States of America and Canada.

Mr Yuen has in total more than 36 years of broad-based financial management experiences in various large local and global multinational companies. He had held several senior financial positions including Chief Financial Officer, Regional Finance Director and Group Controller in the Asia Pacific region. Mr Yuen holds a Master in Business Administration Degree from the University of Leicester, United Kingdom. He is a Fellow of the Chartered Institute of Management Accountants of the United Kingdom, a Fellow of the Institute of Singapore Chartered Accountants and a member of the Singapore Institute of Directors.

Board of Directors

Mr Yen Se-Hua Stewart

Mr Wee Heng Yi, Adrian

Mr Yen Se-Hua Stewart, 65, is our Independent Director and was appointed to our Board on 11 November 2014. Mr Yen currently chairs the Remuneration Committee and is a member of our Audit Committee and Nominating Committee.

He is currently the Chief Executive Officer and executive director of SECOM (Singapore) Pte Ltd, a company which engages in the provision of security services. Mr Yen is currently an independent director of Telechoice International Limited, a company listed on the Main Board of the SGX-ST, and STT Communication (Beijing) Co., Ltd.. He is also a non-executive director of System-bilt Pte Ltd, System-bilt (Myanmar) Ltd, Verint Systems (Singapore) Pte Ltd, D'Garde Security Pte. Ltd. and ProVision Technology (Asia Pacific) Pte Ltd.

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

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

Mr Wee Heng Yi, Adrian, 36, is our Independent Director and was appointed to our Board on 11 November 2014. Mr Wee currently chairs the Nominating Committee and is a member of our Audit Committee and Remuneration Committee.

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

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

Key Executives

Mr Goh Tuck Peng

Mr Khin Maung Tun @ Lim Ming Hwee

Mr Goh Tuck Peng, 44, is our Financial Controller. He was appointed as Financial Controller of our Group on 7 April 2014. Mr Goh is responsible for our Group's financial and accounting matters and its compliance with financial reporting and regulatory requirements.

Mr Goh has more than 17 years of experience in dealing with the financial and accounting matters of companies and in ensuring compliance with financial reporting and regulatory requirements. He was employed with Qianhu Corporation Limited, Guangzhou, China, in February 2003, as a finance and administration manager. From March 2005 to May 2007, he was the group finance manager of Shanghai Asia Holdings Limited. Mr Goh later joined Zhejiang Red Sun Wool Technology Ltd. in January 2008 as their chief financial officer. Between December 2009 and June 2011, Mr Goh was the financial controller of CCM Group Limited (now known as "Singapore eDevelopment Limited"), before being promoted to Chief Financial Officer in January 2012.

Mr Goh graduated from the Singapore Accountancy Academy with an Association of Chartered Certified Accountants Professional Degree in 1997. He is also a Member of the Institute of Singapore Chartered Accountants.

Mr Khin Maung Tun @ Lim Ming Hwee, 51, is our Project Manager. He joined our Group in 1995 and is in charge of project management, project planning and procurement of technical support for projects.

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

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

Key Executives

Ms Heng Yann Syin

Ms Teo Bee Chin

Ms Heng Yann Syin, 35, is our Senior Contract Administrator. Ms Heng joined our Group in 2002 as an Assistant Quantity Surveyor before being promoted as a Contract Administrator in 2004 and then as Senior Contract Administrator in 2012. As Senior Contract Administrator, Ms Heng oversees our contract department and is in charge of project tendering and procurement of projects.

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

Ms Teo Bee Chin, 41, is our accountant. She joined our Group in 2012 and is responsible for all treasury matters, the monitoring of cash flow as well as timely and accurate monthly financial closings.

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

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

Report on Corporate Governance

The Board of Directors (the "**Board**") and the management (the "**Management**") of Huationg Global Limited (the "**Company**" or "**the Group**") are committed to maintain a high degree of corporate governance and transparency for the benefit of all its stakeholders.

For the financial year ended 31 December 2014 ("**FY2014**"), the Board and Management confirm that the Company has, in general, adhered to most of the principles and guidelines of the Code of Corporate Governance 2012 (the "**Code**"), pursuant to Rule 710 of Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**") issued by the Singapore Exchange Securities Trading Limited ("**SGX-ST**").

Where there is a deviation from the recommended guideline, explanation is provided. This report outlines the Company's corporate governance processes, and structure, with specific reference to the principles and guidelines of the Code.

(A) BOARD MATTERS

The Board's Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control 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. The principal role and responsibilities of the Board include:-

- Oversees the overall strategic plans including considering sustainability and environmental issues as part of its strategic formulation, strategic human resources framework, and financial objectives of the Group;

- Reviews the operational and financial performance of the Group including reviewing the performance of the Management;

- Approves half yearly financial results announcements, circulars and audited financial statements and annual report;

- Approves changes in the composition of the Board;

- Oversees and safeguards the shareholders' interest and Company's assets through a robust system of effective internal controls, risk management, financial reporting and compliance;

- Oversees and enhances corporate governance and practices within the Group;

- Deals 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 Catalist Rules issued by SGX-ST, from time to time, or any applicable regulations;

- Appoints the senior management, approves the policies and guidelines for the Board and senior management executives' remuneration, in addition to approving the appointment of new Directors; and

- Identify key stakeholder groups and recognize that their perceptions affect the Company's reputation.

The Board is the highest authority of approval and specific functions of the Board are either carried out by the Board or through various committees established by the Board, namely, the Audit Committee (the "**AC**"), the Nominating Committee (the "**NC**") and the Remuneration Committee (the "**RC**"). Each committee has the authority to examine issues relevant to their term of references and to make fair, proper and appropriate recommendations to the Board when required. The ultimate responsibility for the final decision on all matters, however, lies with the entire Board.

Report on Corporate Governance

The Board conducts scheduled meetings on a half yearly basis. Additional meetings are convened as and when circumstances warrant. The Articles of Association of the Company allow Board meetings to be conducted via any form of audio or audio-visual communication. The Directors are free to discuss any information or views presented by any member of the Board and Management.

The Company adopts a policy which welcomes Directors to request for further explanations, briefings or informal discussions on any aspect of the Group's operations or business from the Management.

When necessary or appropriate, members of the Board exchange views outside the formal environment of board meetings. Each Board member is expected to objectively discharge his or her duties and responsibilities at all times as fiduciaries in the best interest of the Company.

The Company was admitted to the Official List of the Catalist of the SGX-ST on 9 December 2014 and the Board Committees were only constituted on 11 November 2014.

The attendance record of each Director at meetings of the Board and Board Committees for the period from 1 August 2014 (date of incorporation) up to 31 December 2014 is disclosed below:

	Number of meetings attended in FY2014			
Name of Director	**Board(1)**	**AC(1)**	**NC**	**RC**
Ng Hai Liong	1	1*	–	–
Ng Kian Ann Patrick	1	1*	–	–
Ng Kian Yeow, Vincent	1	1*	–	–
Yuen Sou Wai	1	1	–	–
Yen Se-Hua Stewart	1	1	–	–
Wee Heng Yi, Adrian	1	1	–	–
Number of meetings held in 2014	1	1	–	–

** By invitation*

Note:

(1) The Company held its first AC and Board meetings on 18 December 2014, after its listing on 9 December 2014.

Newly appointed Directors will be given briefings and orientation by the executive Directors and Management to familiarise them with the businesses and operations of the Group. Upon appointment, the director will receive a letter of appointment setting out their duties and responsibilities.

The 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 the Directors to attend courses in areas of Directors' duties and responsibilities, corporate governance, changes in financial reporting standards, insider trading, changes in the Companies Act, Chapter 50 of Singapore ("**Companies Act**") and industry-related matters, to develop themselves professionally, at the Company's expense.

Briefings, updates and trainings for the Directors in FY2014 include:

- the external auditors ("**EA**") had briefed the AC on changes or amendments to accounting standards;
- the Company Secretary had briefed the Board on key matters to take in relation to statutory insider trading prohibitions;
- the Company circulates on but not limited to Company's announcements, Board meeting agenda and IPO related matters via email; and
- Mr Ng Hai Liong, Mr Ng Kian Ann Patrick, Mr Ng Kian Yeow, Vincent and Mr Wee Heng Yi, Adrian had attended the "Listed Company Dector Module 1" course conducted by the Singapore Institute of Directors.

Report on Corporate Governance

Board Composition And Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

Currently, the Board comprises six Directors, as set out below. There are three executive Directors namely Mr Ng Hai Liong who is the Executive Chairman of the Board, Mr Ng Kian Ann Patrick who is the Chief Executive Officer ("**CEO**") of the Company and Mr Ng Kian Yeow, Vincent who is the Chief Operating Officer ("**COO**") of the Company. The non-executive and independent Directors comprise of Mr Yuen Sou Wai, Yen Se-Hua Stewart and Wee Heng Yi, Adrian. As recommended by the Code, half of the Board comprises of Independent Directors as the Chairman and Chief Executive Officer are immediate family members.

Director	Board Membership	AC	NC	RC
Ng Hai Liong	Executive, Chairman	–	–	–
Ng Kian Ann Patrick	Executive, CEO	–	Member	–
Ng Kian Yeow, Vincent	Executive, COO	–	–	–
Yuen Sou Wai	Non-Executive and Lead Independent	Chairman	Member	Member
Yen Se-Hua Stewart	Non-Executive and Independent	Member	Member	Chairman
Wee Heng Yi, Adrian	Non-Executive and Independent	Member	Chairman	Member

The NC determines on an annual basis whether or not a director is independent, taking into account the Code's definition. In respect of the review of the independence of each director, the NC assessed the independence of each director and had considered that Mr Yuen Sou Wai, Mr Yen Se-Hua Stewart and Mr Wee Heng Yi, Adrian to be independent. Details of Directors' qualifications and experiences are set out on pages 8 to 10 (Board of Directors) of this Annual Report.

The Board has sought and obtained written confirmation from each of the current independent Directors that, apart from their office as Directors of the Company, none of them has any other relationship (business or otherwise) with the Company, its subsidiaries, related companies, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent judgment with a view to the best interests of the Company.

Each member of the NC has abstained from deliberations in respect of the assessment of his own independence.

The NC reviewed the size and composition of the Board for effective decision making, taking into account factors such as the scope and nature of the operations of the Group and the core competencies of Board members who are in the fields of engineering, project management, accounting and finance, and professional legal services. 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. The non-executive Directors constructively challenge and assist in the development of the business strategies, and assist the Board in reviewing and monitoring the Management's performance against set targets. Where necessary or appropriate, the independent Directors may meet separately without the presence of Management.

Report on Corporate Governance

Chairman And Chief Executive Officer

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

The roles of the Chairman and CEO in the Company are separate. Mr Ng Hai Liong is the Chairman of the Board and is an executive director. Mr Ng Kian Ann Patrick is the CEO. The Chairman, Mr Ng Hai Liong is the father to the CEO, Mr Ng Kian Ann Patrick. Accordingly, Mr Yuen Sou Wai was appointed as the Lead Independent Director and half of the Board comprises of Independent Directors.

The CEO has the executive responsibility for the day-to-day operations of the Group whilst the Chairman provides overall leadership to the Board. The Chairman, with the help of the Company Secretary, ensures that Board meetings are held as and when necessary and sets the meeting agenda in consultation with the CEO and fellow Directors and other executives, and if warranted, with professional advisors.

The Chairman also ensures the quality, quantity and timeliness of the flow of information between the Management, the Board and shareholders. He assumes the lead role in promoting high standards of corporate governance processes as well as the culture of openness and debate at Board meetings. He also encourages constructive relationship within the Board and between the Board and Management while facilitating the effective contributions of non-executive Directors and independent Directors during the Board meetings.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of Directors to the Board.

The Company has established the NC to make recommendations to the Board on all Board appointments. The key duties and responsibilities of the NC include:

(a) reviewing and approving any new employment of related persons and proposed terms of their employment;

(b) re-nomination of our directors for re-election of directors in accordance with our Articles of Association at each annual general meeting and having regard to the Director's contribution and performance;

(c) determining annually whether or not a Director of our Company is independent;

(d) deciding whether or not a Director of our Company is able to and has been adequately carrying out his duties as a Director; and

(e) to decide 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.

The NC comprises four Directors, three of whom including the NC Chairman, are non-executive and independent.

The NC members are:

- Wee Heng Yi, Adrian (NC Chairman)
- Yuen Sou Wai
- Yen Se-Hua Stewart
- Ng Kian Ann Patrick

Report on Corporate Governance

At each Annual General Meeting ("**AGM**") of the Company, the Articles of Association of the Company requires one-third of the Directors (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation, being one third of those who have been longest in office since their last re-election. The retiring Directors submit themselves for re-nomination and re-election. Newly appointed Directors are required to submit themselves for re-election. Accordingly, upon the NC's recommendation, Mr Ng Hai Liong will retire pursuant to Article 93 of the Articles of Association of the Company and is subject to re-appointment as a director at the forthcoming AGM of the Company to be held on 29 April 2015. Mr Ng Kian Yeow, Vincent, Mr Yuen Sou Wai, Mr Yen Se-Hua Stewart and Mr Wee Heng Yi, Adrian will retire pursuant to Article 99 of the Articles of Association of the Company and is subject to re-election as a director at the forthcoming AGM of the Company.

The NC has recommended the aforementioned Directors to the Board after having considered their overall contributions and performance. The NC has reviewed and noted that Mr Ng Hai Liong is the father of Mr Ng Kian Ann Patrick and Mr Ng Kian Yeow, Vincent. Mr Ng Hai Liong also holds 17.0% of the shares in Dandelion Capital Pte Ltd ("**Dandelion Capital**"). Mr Ng Hai Liong and his family members (who are not Directors or key executive officers), namely Ms Lee Swee Chu, Mr Ng Kian Peng Albert, Mr Ng Kian Haw Douglas and Ms Ng Hwee Min Josephine, hold an aggregate of 52.0% of the shares in Dandelion Capital, a controlling shareholder of the Company. Mr Ng Kian Ann Patrick and Mr Ng Kian Yeow, Vincent hold 25.0% and 23.0% of the shares in Dandelion Capital respectively.

Save as mentioned above, none of the other Directors have any relationship including immediate family relationships with the other Directors, the Company or its 10% shareholders.

Mr Ng Hai Liong will, upon re-appointment as a Director, remain as the Chairman of the Board. Mr Yuen Sou Wai will, upon re-election as a Director, remain as the Chairman of the AC and a member of the NC and RC. Mr Yen Se-Hua Stewart will, upon re-election as a Director, remain as the Chairman of the RC and a member of the AC and NC. Mr Wee Heng Yi, Adrian will, upon re-election as a Director, remain as the Chairman of the NC and a member of the AC and RC. Mr Yuen Sou Wai, Mr Yen Se-Hua Stewart and Mr Wee Heng Yi, Adrian will be considered independent for the purposes of Rule 704(7) of the Catalist Rules.

Each member of the NC has abstained from voting on any resolution in respect of the assessment of his performance or re-nomination as a Director of the Company. In the event any member of the NC has an interest in a matter being deliberated upon by the NC, he will abstain from participating in the review and approval process relating to that matter. Mr Yuen Sou Wai, Mr Yen Se-Hua Stewart and Mr Wee Heng Yi, Adrian have abstained from making any recommendation and/or participating in any deliberation of the NC in respect of the assessment of their own performance or re-election as a Director.

In assessing and recommending a candidate for appointment to the Board, the NC takes into consideration the background, qualifications, experience and knowledge that the candidate brings and which could benefit the Board. Other important issues to be considered as part of the process for the selection, appointment and re-appointment of Directors include composition and progressive renewal of the Board and each director's competencies, commitment, contribution and performance (e.g. attendance, preparedness, participation and candor), if applicable, as an independent director.

The NC may also engage external search consultants to search for new Directors at the Company's expense. New Directors are appointed by way of a board resolution after the NC recommends the appointment for approval of the Board.

The NC is of the opinion that the multiple board representations held by Directors of the Company did not impede their performance in carrying out their duties to the Company. In FY2014, the Board did not set a maximum number of Directorships given that all non-executive or independent Directors were able to dedicate their time to the business of the Company. Nevertheless, if the Board finds that time commitment is lacking from any particular director, they may consider imposing a cap in future.

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

Each member of the NC shall abstain from voting on any resolution and making any recommendations and/or participating in any deliberations of the NC in respect of matters in which he is interested.

Board Performance

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

The NC is responsible for assessing the effectiveness of the Board as a whole and the Board Committees and for assessing the contribution of each individual director. The NC decides how the Board's performance may be evaluated and proposes objective performance criteria that are approved by the Board.

The criteria for evaluation of the performance of individual Directors include qualitative and quantitative factors such as performance of principal functions and fiduciary duties, director's attendance at meetings and his contribution and performance at such meetings. The NC and the Board strive to ensure that each director, with his contributions, brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

The NC meets once a year, and as warranted by circumstances, to discharge its functions. In FY2014, no NC meeting was held given that the Company was listed on 9 December 2014.

The NC has in place a Board performance evaluation whereby the Board will complete a group assessment collectively given that the decision of the Board are often made collectively. The Company Secretary has been requested to collate the Board's evaluations and provide the summary observations for the NC Chairman and Board Chairman for the financial year ending 31 December 2015 onwards. As the Company was listed on 9 December 2014, the NC had a meeting held on 24 February 2015 and concurred that it would be meaningful to evaluate the performance of the Board as a group collectively for FY 2015. Furthermore, it is difficult to evaluate the performance of the Board's committees or individual director during a short time span. The Company did not engage the services of any external facilitator for the assessment of the Board.

Access To Information

Principle 6: In order to fulfill their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Management including the executive Directors keeps the Board appraised of the Group's operations and performance through half-yearly updates and reports as well as through informal discussions. Key executives who can provide additional insight into the matters at hand would be invited to the Board meeting.

Prior to any meetings of the Board or committees, Directors are provided, where appropriate, with sufficient relevant information to enable them to be prepared for the meetings. On an ongoing basis, all Board members have separate and independent access to Management should they have any queries or require additional information on the affairs of the Company and the Group.

Before each meeting, Management would provide the Board members with the required explanatory documents relating to matters to be brought before the Board. Copies of disclosure documents, budgets, forecasts, half-yearly internal financial statements, together with explanations for any material variance between the projections and actual results in respect of its financial performance would be tabled by Management to the Board for review and discussion during the Board meeting.

The Directors also have access to the Company Secretary who attends all Board and its committees' meetings. The Company Secretary also assists the Chairman and the Board to implement and strengthen corporate governance practices and processes. The Board are given the names and contact details of the Company's senior management and the Company Secretary to facilitate direct, separate and independent access. The appointment and removal of the Company Secretary is subjected to the approval of the Board as a whole.

Where the Directors either individually or as a group, in the furtherance of their duties, require independent professional advice, assistance is available to assist them in obtaining such advice at the Company's expense.

(B) REMUNERATION MATTERS

Procedures For Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No director should be involved in deciding his own remuneration.

The roles, duties and responsibilities of the RC cover the functions described in the Code including but not limited to, the following:

(i) to recommend to the Board a framework of remuneration for the Directors and executive officers, as well as specific remuneration packages for each executive director. The quantum of the bonus of the executive Directors and CEO will be subject to the approval of the RC. The bonus for the executive officers will be determined solely by the executive Directors and CEO;

(ii) the scope of responsibilities encompasses all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind; and

(iii) to review the remuneration of senior management and employees related to Directors, if any.

The RC comprises entirely of non-executive Directors, all of whom are independent. The RC members are:

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

Report on Corporate Governance

All recommendations made by the RC on remuneration of Directors and executive officers will be submitted for endorsement by the Board. Members of the RC will ensure that they do not set their own remuneration and no member of the RC is involved in setting his/her remuneration packages. As and when deemed appropriate by the RC, independent expert advice is or will be sought at the Company's expense. RC shall ensure that existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants.

The RC meets at least once a year, and as warranted by circumstances, to discharge its functions. In FY2014, no RC meeting was held given that the Company was listed on 9 December 2014.

Each member of the RC shall abstain from voting on any resolution and making any recommendations and/or participating in any deliberations of the RC in respect of matters in which he is interested.

Level And Mix Of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the Directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose

The RC recommends to the Board the quantum of Directors' fees and the Board in turn endorses the recommendation for shareholders' approval at each AGM. To facilitate timely payment of Directors' fees, the Company has recommended for the Directors' fees to be paid on a half yearly basis for the current financial year ending 31 December 2015 once approval is obtained from shareholders at the forthcoming AGM to be held on 29 April 2015.

For FY2014, a recommendation is made to shareholders to approve the payment of S$17,465.75 to the non-executive Directors taking into account their contributions during the pre-listing meetings of the Company.

The remuneration packages take into consideration the performance of the Group and individual assessment of each non-executive director, the level of contribution to the Company and Board, taking into account various factors including but not limited to efforts and time spent, responsibilities and duties of the Directors.

For the executive Directors and executive officers, each of their service agreements and/or compensation packages is reviewed by the RC. These service agreements cover the terms of employment and specifically, the salaries and bonuses of the executive Directors and executive officers. The Company may terminate a service agreement if, *inter alia*, the relevant executive director or executive officer is guilty of dishonesty or serious or persistent misconduct, become bankrupt or otherwise act to the Company's prejudice. Directors' fees do not form part of the terms of these service agreements as these require the approval of the shareholders in a general meeting.

The Company has entered into service agreements ("**Service Agreements**") with each of the executive Directors, Mr Ng Hai Liong, Mr Ng Kian Ann Patrick, Mr Ng Kian Yeow, Vincent (the "**Executive Directors**") and the Group's Financial Controller Mr Goh Tuck Peng ("**FC**") on 11 November 2014, respectively. Their Service Agreements are for an initial period of three years (the "**Initial Term**") commencing with effect from the date of admission of the Company to Catalist, subject to renewal on a yearly basis thereafter unless otherwise agreed in writing between the Company and the Executive Directors and FC or terminated in accordance with the Service Agreements. During the Initial Term, the parties may terminate the respective Service Agreement by either party giving not less than six months' notice in writing to the other.

Pursuant to the terms of the Service Agreements, the Executive Directors and FC, namely Mr Ng Hai Liong, Mr Ng Kian Ann Patrick, Mr Ng Kian Yeow, Vincent and Mr Goh Tuck Peng will receive a monthly remuneration of S$25,000, S$38,000, S$35,000 and S$10,500 respectively and an annual wage supplement of 1 month's salary. In addition, each of the Executive Directors is entitled to an annual performance bonus in respect of each financial year commencing from FY2014, such bonus to be computed on the basis of the Group's audited consolidated profit before income tax for each financial year (before deducting for the annual wage supplement, non-recurring exceptional items and minority interests) The amount of performance bonus is determined based on the disclosures set out on Page 179 of the Company's offer document dated 1 December 2014.

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The RC will ensure that the independent Directors are not overcompensated to the extent that their independence may be compromised. To encourage non-executive Directors to hold shares in the Company so as to better align the interests of such non-executive Directors with the interests of shareholders, they are able to participate in the Huationg Performance Share Plan and the Huationg Share Option Scheme.

During FY2014, the RC reviewed the compensation and remuneration packages and believes that the Directors and Management are sufficiently compensated. For FY2014, the Company did not engage any external remuneration consultant to assist in the review of compensation and remuneration packages.

Disclosure On Remuneration

Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to Directors and key management personnel, and performance.

The breakdown (in percentage terms) of the remuneration of Directors of the Company for FY2014 is set out below:

	Salary and allowance* (%)	Annual Wage Supplement ("AWS") (%)	Performance Bonus (%)	Share Option Granted (%)	Directors' fees (%)	Total (%)
Remuneration Band/ Name of Director						
Above S$250,000 to S$500,000						
Ng Hai Liong	71.6	9.2	19.2	–	–	100.0
Ng Kian Ann Patrick	63.5	10.9	25.6	–	–	100.0
Ng Kian Yeow, Vincent	67.6	9.7	22.7	–	–	100.0
S$250,000 and below						
Yuen Sou Wai	–	–	–	–	100.0	100.0
Yen Se-Hua Stewart	–	–	–	–	100.0	100.0
Wee Heng Yi, Adrian	–	–	–	–	100.0	100.0

Note:

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

Given the highly competitive conditions of the Group's industry, and the prevalent poaching of experienced Directors, the Company believes that the disclosure of the total remuneration of each individual Director as recommended by the Code may not be in the best interest of the Group. Nevertheless, the Company has sought to provide the remuneration of these Directors in the bands of S$250,000 and also a breakdown in percentage term.

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The breakdown (in percentage terms) of the remuneration of each executive officer of the Group for FY2014 is set out below:

Remuneration and Name of Key Executives#	Designation	Salary and allowance* (%)	AWS (%)	Share Option Granted (%)	Total (%)
S$250,000 and below					
Goh Tuck Peng	Financial Controller ("**FC**")	90.5	9.5	–	100.0
Khin Maung Tun @ Lim Ming Hwee	Project Manager	100.0	–	–	100.0
Heng Yann Syin	Senior Contract Administrator	100.0	–	–	100.0
Teo Bee Chin	Accountant	100.0	–	–	100.0

Notes:

During FY2014, there was only four executive officers.

* These amounts were inclusive of employer's CPF contribution and transport allowances.

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 executive officer as recommended by the Code may not be in the best interest of the Group. Nevertheless, the Company has sought to provide the remuneration of these executives in the bands of S$250,000 and also a breakdown in percentage term.

In aggregate, the total remuneration paid to the 4 top executive officers (who are not also Directors or the CEO) was S$388,144 in FY2014.

There were no termination, retirement and post-employment benefits that were granted to Directors, the CEO and the 4 top executive officers during FY2014.

Details of the remuneration of employees who are immediate family members of a director or the CEO and whose remuneration exceeds S$50,000 during the year are as follows:

Name of Employee and Relationship	Salary and allowance (%)	Bonus (%)	Share Option Granted (%)	Total (%)
Above S$50,000 but below S$100,000				
Ng Swee Seng/ Nephew to Mr Ng Hai Liong and cousin to Ng Kian Ann Patrick and Ng Kian Yeow, Vincent	100.0	–	–	100.0

Save as disclosed above, there is no other family relationship between any of our Directors and/or executive officers and there is also no other employee who is an immediate family member of a director or CEO whose remuneration exceeds S$50,000 in FY2014.

As disclosed in the Company's offer document dated 1 December 2014, Mr Ng Hai Liong, Mr Ng Kian Ann Patrick and Mr Ng Kian Yeow, Vincent will also be entitled to a performance bonus (the "**Performance Bonus**") based on our 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 our 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:

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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

For FY2014, the performance bonus paid to Mr Ng Hai Liong, Mr Ng Kian Yeow, Vincent and Mr Ng Kian Ann Patrick was S$52,231.23, S$82,102.21 and S$89,569.96 respectively as the performance condition of the Group achieving PBT of approximately S$6.5 million for FY2014 was met.

Our Group will also extend to each of the Executives, among others, insurance, medical and dental benefits in line with our Group's prevailing policy. In particular, Huationg Contractor has taken out a life insurance policy on the life of Mr Ng Kian Ann Patrick whereby the sum insured under this policy is up to US$10.0 million. The beneficiary for the first five years from the date of the policy shall be Huationg Contractor, after which Mr Ng Kian Ann Patrick shall become the beneficiary of the policy and be entitled to all payments and other benefits arising therefrom after deducting for the amounts paid under the revolving credit facility taken up to finance the payment of the premium under the insurance policy and the surrender value of the insurance policy. Our Group will also take up a similar insurance policy on the life of Mr Ng Kian Yeow, Vincent and another additional insurance policy on the life of Mr Ng Kian Ann Patrick as provided for in their service agreements.

SHARE OPTIONS SCHEME AND PERFORMANCE SHARE SCHEME

On 18 November 2014, the shareholders approved the Huationg Performance Share Plan and the Huationg Share Option Scheme (collectively, the "**Share-Based Incentive Plans**"). The Share-Based Incentive Plans is administered by the NC and the RC (the "**Administration Committee**"), and no share has been awarded to any participant under the Share-Based Incentive Plans since adoption and for FY2014.

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 our success in order to achieve greater growth in the Group. Eligible participants (the "**Participants**") under the Share-Based Incentive Plans will have the opportunity to participate in the equity of the Company, thereby aligning the interests of the Participants with the interests of the Company and shareholders, motivating them towards long-term growth and profitability of the Group and better performance through increased dedication and incentives.

Under the Huationg Share Option Scheme, a Participant will be granted the right to subscribe for shares (the "**Options**"). An Option represents the right of the Participant to receive fully paid shares upon payment of the Exercise Price (as defined and determined under the Huationg Share Option Scheme) within the Exercise Period (as defined in the Huationg Share Option Scheme). The Exercise Price and Exercise Period shall be determined by the Administration Committee in its absolute discretion in accordance with the Huationg Share Option Scheme. Participants will only be rewarded in the event that the market value of a share is greater than the Exercise Price, thereby motivating Participants toward improving the market value of the shares.

The Huationg Performance Share Plan aims to promote higher performance goals, and recognise and reward the contributions made by employees. The Huationg Performance Share Plan contemplates the contingent award of fully-paid shares after certain pre-determined benchmarks have been met (the "**Awards**"). The Company believe that the Huationg Performance Share Plan will be more effective than pure cash bonuses in motivating employees to work towards pre-determined goals.

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Under the Huationg Performance Share Plan, 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 administering the Huationg Performance Share Plan.

The reason for having both the Huationg Share Option Scheme and Huationg Performance Share Plan is to give the Group greater flexibility in structuring compensation packages of eligible Participants, and to provide an additional tool to motivate and retain staff members so that we are able to offer compensation packages that are market-competitive.

Details of the Share-Based Incentive Plans are further disclosed on pages 32 to 33 of the Report of the Directors.

(C) ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board is responsible for providing a balanced and understandable assessment of the Group's performance, position and prospects, including interim and other price sensitive public information and reports to regulators (if required). Management provides Directors on a half yearly basis, with sufficient relevant information on the Group's financial performance and commentary of the competitive conditions of the industry in which the Group operates. The Company adopts a policy that encourage Directors to request for further explanations, briefings or informal discussions on any aspect of the Group's operations or business from Management.

The AC reports to the Board on the financial results announcement for review and approval. The Board approves the financial results announcement after review and authorises the release of the financial results announcement to SGX-ST and the public. The Company also uploads latest announcement(s) which has been disseminated via SGXNET on its website www.huationg-global.com.

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Group's internal controls and systems are designed to provide reasonable assurance as to the integrity and reliability of the financial information, and to safeguard and maintain accountability of assets. Procedures are in place to identify major business risks and evaluate potential financial implications, as well as for the authorisation of capital expenditure and investments.

The AC, on behalf of the Board, reviews the Group's system of internal controls, including financial, operational and compliance controls, information technology and risk management policies and systems established by Management. This ensures that such system is sound and adequate to provide reasonable assurance of the integrity, effectiveness and efficiency of the Company in safeguarding shareholders' interests and the Group's assets. The Group currently does not have a formal risk management committee but the Management regularly reviews the Group's business and operations to identify areas of significant business risks and controls to mitigate the risks. The Management will highlight all significant matters to the Board and AC. The Board is ultimately responsible for the Group's risk management. As the Company was listed on 9 December 2014, the Board is looking into the engagement of a professional services firm to prepare an enterprise risk management report for Group for the financial year ending 31 December 2015. The Group's financial risk management objectives and policies are discussed further in Note 30, Notes to the financial statements.

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The system of internal controls provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision making, human error, losses, fraud or other irregularities.

The Board has also received the assurance given by the CEO and the FC during the full year results meeting as further described below:

(a) That the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and

(b) The Company's risk management and internal control systems are effective.

Based on the review, work done by the Internal Auditor ("**IA**") and external auditors, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls addressing financial, operational, compliance risks, IT, risk management systems or significant business risks are adequate and effective in respect of FY2014.

Audit Committee ("AC")

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The duties and functions of the AC include the following:

(i) assist the Board in the discharge of its responsibilities on financial and reporting matters;

(ii) review, with the internal and external auditors, 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 internal and external auditors;

(iii) 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 Rules of Catalist and any other statutory/regulatory requirements;

(iv) review the effectiveness and adequacy of the internal control and procedures, including accounting and financial controls and procedures and ensure coordination between the internal and external auditors, 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);

(v) review the scope and results of the external audit, and the independence and objectivity of the external auditors;

(vi) review and discuss with the external auditors 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;

(vii) make recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;

(viii) review significant financial reporting issues and judgments with the financial controller and the external auditors so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance before their submission to the Board;

(ix) to review and report to the Board at least annually the adequacy and effectiveness of the Group's material internal controls with the financial controller and the internal and external auditors, including financial, operation, compliance and information technology controls via reviews carried out by the internal auditors;

Report on Corporate Governance

(x) review and approve transactions falling within the scope of Chapter 9 and Chapter 10 of the Rules of Catalist (if any);

(xi) review any potential conflicts of interest;

(xii) review and approve all hedging policies and instruments (if any) to be implemented by the Group;

(xiii) 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;

(xiv) 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

(xv) generally to undertake such other functions and duties as may be required by statute or the Rules of Catalist, and by such amendments made thereto from time to time.

The AC comprises three members, all of whom are non-executive, independent Directors. The members of the AC are:

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

The Board believes that the AC is appropriately qualified to discharge their duties and responsibilities. The AC has explicit authority to investigate any matter within its terms of references. It has full access to Management and full discretion to invite any director or key executive to attend its meetings, and to be provided with reasonable resources to enable it to discharge its functions properly. The Executive Directors and key executives are invited to be present at the AC meetings to report and brief the AC members on the financial and operating performance of the Group and to answer any queries from the AC members on any aspect of the operations of the Group.

The AC met up with the external auditors without the presence of Management on 24 February 2015 during the full year board meeting for FY2014. The external auditors are also invited to be present at AC meetings, as and when required, to, *inter alia*, answer or clarify any matter on accounting and auditing or internal controls.

In FY2014, the Group paid S$180,000 to the external auditors and its member firms for non-audit services as part of the professional fees incurred for their roles as reporting accountants and tax advisors in relation to the listing of the Company.

The AC is of the opinion that the independence and objectivity of the external auditors have not been affected as the substantial amount of non-audit fees paid in FY2014 is solely for the listing of the Company and is not expected to be recurring. A table on the audit and non-audit fees paid/payable to BDO LLP ("**BDO**") and its member firm are as follows:

Service Category Fees	**Amount S$**
Audit Services	75,000
Non-Audit Services[(1)]	193,000
Total	268,000

(1) Includes fees of S$180,000 billed to the Group in FY2014 for the reporting accountant role related to the initial public offering of the Group.

The financial statements of the Company and its subsidiaries are audited by BDO LLP. The AC and the Board are of the view that the audit firms are adequately resourced, of appropriate standing within the international affiliation, have reviewed and are satisfied that the appointment would not compromise the standard and effectiveness of the audit of the Company and that the Company has complied with Rule 712 and Rule 715 of the Catalist Rules of the SGX-ST.

The AC has recommended to the Board the re-appointment of BDO LLP as external auditors of the Company at the forthcoming AGM of the Company to be held on 29 April 2015.

Report on Corporate Governance

The Company has a whistle-blowing policy whereby staff of the Group and relevant external parties may, in confidence, raise concerns about possible irregularities in matters of financial reporting or other matters. The policy defines the processes clearly to ensure independent investigation of such matters and permits whistle blowers to report directly via email to any of the Whistle-Blowing Committee members. In the event that the whistle-blowing matter to be raised concerns any particular member of the Whistle-Blowing Committee, the whistle blower can direct the email to any other member of the Whistle-Blowing Committee who has no conflict of interest.The Whistle Blowing Committee comprises of all the current Directors of the Company. The Whistle-Blowing Committee of Directors of the Company 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. Other persons who may be involved in the conduct of any investigations include the internal or external auditors, forensic professionals, the Police, the Commercial Affairs Department and the Corrupt Practice Investigation Bureau. Findings from any investigations shall be reported to the Audit Committee for their further actions.

As the Company was listed on 9 December 2014, the Board had reviewed the qualifications of the members of the AC prior to the appointment of each AC member. The Board's view is that adequate and reasonable assistance and support has been properly rendered by the Management to the AC and that the AC has effectively and efficiently contributed to the Board and the Group. In addition, Mr Yuen Sou Wai, also the Chairman of the AC has the relevant accounting and related financial management expertise, experience and knowledge. The AC Chairman is a fellow member of the Institute of Singapore Chartered Accountants and also a fellow member of the Chartered Institute of Management Accountants of the United Kingdom. The AC shall be provided with information such as updates on the changes to the Singapore's Financial Reporting Standards, as and when there are material updates to the financial reporting standards when the AC meets with the external auditors during AC meetings and the AC members are encouraged to attend external courses conducted by relevant professional institutes as and when deemed necessary or upon request.

Each member of the AC shall abstain from voting on any resolution and making any recommendations and/or participating in any deliberations of the AC in respect of matters in which he is interested.

Internal Audit

Principle 13: The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The AC relies on reports from the Management and external and internal auditors on any material non-compliance and internal control weaknesses. Thereafter, the AC oversees and monitors the implementations thereto.

Currently, the Group has outsourced its internal audit function to Nexia TS Risk Advisory Pte. Ltd. which reports directly to the AC. The work undertaken by the IA, are carried out taking guidance from the standards set by internationally recognised professional bodies including Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors, including the auditing of the Group's system of internal financial, operational and compliance controls over its key operations. The IA will report their audit findings and recommendations directly to the AC. The internal audit plan, findings and recommendations drawn up by the IA are reviewed and approved by the AC.

The AC is satisfied that the IA is independent and have the sufficient assistance from the Management to perform their functions effectively. As the IA function is outsourced to a professional audit firm, the AC is satisfied that the outsourced internal audit function is adequately resourced and has appropriate standing within the Group and the AC is satisfied that the internal audit function is effective for FY2014. The AC had also met the IA without the presence of management on 24 February 2015 during the full year board meeting for FY2014.

Report on Corporate Governance

(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of the shareholders' rights, and continually review and update such governance arrangements.

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

Principle 16: Companies should encourage shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Company strives to disclose information on a timely basis to shareholders and ensure any disclosure of price sensitive information is not made to a selective group. The information are communicated to our shareholders via:

– annual reports - The Board strives to include all relevant information about the Group, including future developments and disclosures required by the Companies Act, Financial Reporting Standards and the Catalist Rules; and

– SGXNET and press releases on major developments of the Group.

SGXNET disclosures and press releases of the Group are also available on the Company's website at www.huationg-global.com. As the Company is newly listed since 9 December 2014, Management is still considering the option of conducting investor briefing sessions after the release of the Company's half year results announcement. Management will take into consideration the additional expenses associated with the conduct of half-yearly briefings or the expenses involved in the engagement of investor relations professionals to conduct such briefings. In the interim, should there be any related presentation slides, the Company would publish the presentation slides, which may accompany the financial results announcement, on SGXNET and on its website - www.huationg-global.com. A copy of this annual report for FY2014 is also made available on the website and published via SGXNET.

At the forthcoming AGM, shareholders will be given the opportunity to air their views and post Directors or Management questions regarding the Company and the Group. The Notice of AGM will be sent together with the annual report, released on SGXNET and will be available on the Company's website as well as published in the newspapers to inform shareholders of upcoming meetings.

The Board, Chairman of the respective Board Committees, Management and the external auditors will also be present to address any relevant queries the shareholders may have. At the forthcoming AGM, the Company will prepare the minutes of the AGM which would include substantial or relevant comments from shareholders and the minutes of AGM will be made available to shareholders upon their request.

Under the existing Articles of Association of the Company, a shareholder may vote in person or appoint not more than two proxies to attend and vote in his stead. Such proxy to be appointed need not be a shareholder.

As the Company was only listed on 9 December 2014, the forthcoming AGM, the Company will put all resolutions to vote by a show of hands. Notwithstanding, the Board will consider to put all resolutions to a poll so as to better reflect shareholders' shareholding interest and to ensure greater transparency for subsequent meetings of shareholders and to ensure compliance with any new Catalist Rules which shall take effect before the conduct of the Company's next meeting of shareholders.

The Company does not have a fixed dividend policy at present. The declaration and payment of dividends by the Group is subject to many factors, including but not limited to, the level of the Group's cash and retained earnings, the Group's actual and projected performance, the projected levels of capital requirements and general financing conditions and restrictions on payment of dividends imposed on the Group by the financing arrangement (if any). The Company did not declare dividends for FY2014 to conserve cash and better meet its business needs.

Report on Corporate Governance

(E) DEALINGS IN SECURITIES

The Company has complied with Rule 1204(19) of the Catalist Rules in relation to dealings in the Company's securities by Directors and executives of the Company.

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.

(F) INTERESTED PERSON TRANSACTIONS ("IPT")

The Company has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the AC and that the transactions are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

Included in the Restructuring Exercise and interested person transactions as disclosed on pages 66 and 151 to 166 of the offer document dated 1 December 2014 respectively, were specific on-going interested person transactions of S$100,000 and above which were specifically approved in the Offer Document dated 1 December 2014. Details of the specific on-going interested person transactions of S$100,000 and above are as follows:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted during the financial year under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
NHL Holding Pte Ltd – Lease of construction equipment and vehicles from NHL Holding Pte Ltd	683,000	Not applicable
NHL Holding Pte Ltd – Lease of dormitories to Huationg Contractor Pte Ltd from NHL Holding Pte Ltd	48,000	Not applicable

The Company also does not have any IPT Mandate which is subject to shareholders' approval at the forthcoming AGM.

Report on Corporate Governance

(G) USE OF PROCEEDS (Rule 1204(5f) and (22))

As of the date of this report, the utilisation of the Group's IPO gross proceeds is set out below:

Use of Proceeds	Amount allocated (S$'000)	Amount utilised as at the date of this report (S$'000)	Balance of net proceeds as at the date of this report (S$'000)
To explore opportunities in mergers and acquisitions, joint ventures and strategic alliances	1,500	–	1,500
To increase LSS production	1,000	–	1,000
General working capital purposes	1,611	–	1,611
Listing expenses borne by the Company	1,389	1,389	–
Gross proceeds	5,500	1,389	4,111

(H) MATERIAL CONTRACTS

Save for the service agreements entered with the executive Directors as disclosed on pages 179 of the Offer Document dated 1 December 2014 registered by the SGX-ST acting as agent on behalf of the Monetary Authority of Singapore on 1 December 2014, there is no other material contract involving the interests of any director, CEO or controlling shareholders of the Company which has been entered into by the Company or any of its subsidiary companies which are either still subsisting at the end of FY2014 or if not then subsisting, entered into since the end of the previous financial year.

(I) Non-Sponsor Fees (Rule 1204(21))

For FY2014, the Company paid to its sponsor, PrimePartners Corporate Finance Pte. Ltd. fees of S$1,092,500 to act as the issue manager and placement agent pursuant to the Company's IPO.

Report of the Directors

The Directors of the Company present their report to the members together with the audited financial statements of Huationg Global Limited (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 December 2014 and the statement of financial position of the Company as at 31 December 2014.

1. Directors

The Directors of the Company in office at the date of this report are:

Ng Hai Liong	(Appointed on 1 August 2014)
Ng Kian Ann Patrick	(Appointed on 1 August 2014)
Ng Kian Yeow, Vincent	(Appointed on 11 November 2014)
Yuen Sou Wai	(Appointed on 11 November 2014)
Yen Se-Hua Stewart	(Appointed on 11 November 2014)
Wee Heng Yi, Adrian	(Appointed on 11 November 2014)

2. 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 is 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.

3. 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 Singapore Companies Act, Cap. 50 (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 1.8.2014 (date of incorporation) or date of appointment, if later	Balance as at 31.12.2014	Balance as at 1.8.2014 (date of incorporation) or date of appointment, if later	Balance as at 31.12.2014
	Number of ordinary shares			
The Company				
Ng Hai Liong	1	–	–	121,759,600
Ng Kian Ann Patrick	1	–	–	121,759,600
Ng Kian Yeow, Vincent	–	–	121,759,600	121,759,600
Ultimate holding company				
Dandelion Capital Pte. Ltd.				
Ng Hai Liong	–	17	–	35
Ng Kian Ann Patrick	–	25	–	–
Ng Kian Yeow, Vincent	23	23	–	–

Report of the Directors

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

By virtue of Section 7 of the Act, Mr Ng Hai Liong, Mr Ng Kian Ann Patrick and Mr Ng Kian Yeow, Vincent are deemed to have an interest in all related corporations of the Company. In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company state that, according to the Register of the Directors' Shareholdings, the Directors' interests as at 21 January 2015 in the shares or debentures of the Company and its related corporations have not changed from those disclosed as at 31 December 2014.

4. Directors' contractual benefits

Since the date of incorporation, no Director of the Company has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Act, by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except for salaries, bonuses and other benefits as disclosed in the financial statements. Certain Directors received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

5. Share options

Huationg Employee Share Option Scheme

The Huationg Employee Share Option Scheme (the "Share Option Scheme") was approved and adopted at the Company's extraordinary general meeting held on 18 November 2014. The Share Option Scheme is administered by the Remuneration Committee comprising of Mr Yen Se-Hua Stewart, Mr Yuen Sou Wai, and Mr Wee Heng Yi, Adrian (the "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 Committee may grant options on any date, when added to the number of shares issued and issuable in respect of (a) all options granted under the Share Option Scheme; (b) all awards granted under the Huationg Performance Share Plan; and (c) any other share option schemes of the Company, shall not exceed 15% of the number of issued shares (including treasury shares) on the day immediately preceding the date of the relevant grant.

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

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

There were no share options granted by the Company or its subsidiaries 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 subsidiaries.

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

6. Share awards

Huationg Performance Share Plan

The Huationg Performance Share Plan (the "Share Plan") was approved at the Company's extraordinary general meeting held on 18 November 2014. The Share Plan is administered by the 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 report 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 Singapore Exchange Securities Trading Limited ("SGX") and the Code of Corporate Governance.

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

The Audit Committee also reviewed the following:

(i) assistance provided by the Company's officers to the internal and external auditors;

(ii) consolidated financial statements of the Group and the statement of financial position of the Company prior to submission to the Directors of the Company for adoption;

(iii) interested person transactions (as defined in Chapter 9 of the SGX Listing Manual);

(iv) re-appointment of the external and internal auditors of the Company; and

(v) the annual announcements as well as the related press releases on the results and financial position of the Group and the Company.

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

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

Report of the Directors

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	**Ng Kian Ann Patrick**
Director	Director

Singapore
31 March 2015

Statement by Directors

In the opinion of the Board of Directors,

(a) the consolidated financial statements of the Group and the statement of financial position of the Company together with the notes thereon are properly drawn up in accordance with the Singapore Companies Act, Cap. 50 and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and of the results, 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.

On behalf of the Board of Directors

Ng Hai Liong
Director

Ng Kian Ann Patrick
Director

Singapore
31 March 2015

Independent Auditor's Report

To the members of Huationg Global Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Huationg Global Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 38 to 92, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2014, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards, 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

To the members of Huationg Global Limited

Report on the Financial Statements (Continued)

Opinion

In our opinion, the 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 Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and of the results, changes in equity and cash flows of the Group for the financial year ended on that date.

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 subsidiaries incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

BDO LLP
Public Accountants and
Chartered Accountants

Singapore
31 March 2015

Statements of Financial Position

As at 31 December 2014

	Note	Group 2014 $	Group 2013 $	Company 2014 $
ASSETS				
Non-current assets				
Property, plant and equipment	4	82,850,411	73,234,159	–
Investment property	5	–	3,800,000	–
Available-for-sale financial assets	6	2,079,359	–	–
Investments in subsidiaries	7	–	–	33,235,384
Prepayments		339,797	–	–
Intangible asset	8	11,000	11,000	–
Total non-current assets		85,280,567	77,045,159	33,235,384
Current assets				
Amounts due from contract customers	9	11,580,841	11,095,948	–
Available-for-sale financial assets	6	4,786,552	–	–
Trade and other receivables	10	27,777,428	32,196,870	34,000
Prepayments		529,878	411,189	–
Cash and bank balances	11	16,368,010	12,536,380	4,588,991
Total current assets		61,042,709	56,240,387	4,622,991
Total assets		146,323,276	133,285,546	37,858,375
EQUITY AND LIABILITIES				
Share capital	12	38,676,148	7,075,000	38,676,148
Other reserves	13	(19,471,901)	–	–
Accumulated profits/(losses)		26,938,797	29,827,447	(1,446,289)
Equity attributable to owners of the parent		46,143,044	36,902,447	37,229,859
Non-controlling interests		358,016	312,802	–
Total equity		46,501,060	37,215,249	37,229,859
Non-current liabilities				
Other payables	14	133,333	533,333	–
Finance lease payables	15	22,295,139	21,605,128	–
Bank borrowings	16	12,244,501	10,835,000	–
Deferred tax liabilities	17	4,390,019	3,966,501	–
Total non-current liabilities		39,062,992	36,939,962	–
Current liabilities				
Amounts due to contract customers	9	5,438,497	6,399,073	–
Trade and other payables	14	24,227,459	27,981,330	628,516
Finance lease payables	15	11,098,046	9,146,648	–
Bank borrowings	16	18,797,466	14,866,435	–
Current income tax payable		1,197,756	736,849	–
Total current liabilities		60,759,224	59,130,335	628,516
Total liabilities		99,822,216	96,070,297	628,516
Total equity and liabilities		146,323,276	133,285,546	37,858,375

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

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2014

	Note	2014 $	2013 $
Revenue	18	133,332,088	108,475,177
Cost of sales and services		(111,604,223)	(91,977,380)
Gross profit		21,727,865	16,497,797
Other item of income			
Other income	19	4,126,523	3,965,179
Other items of expense			
Administrative expenses		(14,824,925)	(11,879,461)
Other expenses		(3,359,716)	(1,087,741)
Finance costs	20	(1,393,035)	(1,167,917)
Profit before income tax	21	6,276,712	6,327,857
Income tax expense	22	(1,125,148)	(1,177,238)
Profit for the financial year		5,151,564	5,150,619
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss:			
Fair value changes on available-for-sale financial assets	6	(9,568)	–
Item that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of property, plant and equipment	4	6,698,053	–
Other comprehensive income for the financial year		6,688,485	–
Total comprehensive income for the financial year		11,840,049	5,150,619
Profit attributable to:			
Owners of the parent		5,106,350	4,962,817
Non-controlling interests		45,214	187,802
		5,151,564	5,150,619
Total comprehensive income attributable to:			
Owners of the parent		11,794,835	4,962,817
Non-controlling interests		45,214	187,802
		11,840,049	5,150,619
Earnings per share:			
- Basic and diluted (in cents)	23	4.11	4.08

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

Consolidated Statement of Changes In Equity

For the financial year ended 31 December 2014

	Note	Share capital	Accumulated profits	Other reserves	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
		$	$	$	$	$	$
Balance as at 1.1.2014		7,075,000	29,827,447	–	36,902,447	312,802	37,215,249
Profit for the financial year		–	5,106,350	–	5,106,350	45,214	5,151,564
Other comprehensive income:							
- Gain on revaluation of property, plant and equipment	4	–	–	6,698,053	6,698,053	–	6,698,053
- Fair value changes on available-for-sale financial assets	6	–	–	(9,568)	(9,568)	–	(9,568)
		–	–	6,688,485	6,688,485	–	6,688,485
Total comprehensive income for the financial year		–	5,106,350	6,688,485	11,794,835	45,214	11,840,049
Transactions with owners of the parent:							
Issuance of subscriber's shares at date of incorporation of the Company	12	2	–	–	2	–	2
Issuance of ordinary shares pursuant to the restructuring exercise	12	33,235,384	–	(26,160,386)	7,074,998	–	7,074,998
Deemed distribution to owners of the parent pursuant to the restructuring exercise	12	(7,075,000)	–	–	(7,075,000)	–	(7,075,000)
Issuance of ordinary shares pursuant to the initial public offering exercise	12	5,500,000	–	–	5,500,000	–	5,500,000
Share-based payment expenses	12	425,000	–	–	425,000	–	425,000
Share issue expenses	12	(484,238)	–	–	(484,238)	–	(484,238)
Dividends	24	–	(7,995,000)	–	(7,995,000)	–	(7,995,000)
Total transactions with owners of the parent		31,601,148	(7,995,000)	(26,160,386)	(2,554,238)	–	(2,554,238)
Balance as at 31.12.2014		38,676,148	26,938,797	(19,471,901)	46,143,044	358,016	46,501,060

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

Consolidated Statement of Changes In Equity

For the financial year ended 31 December 2014

	Share capital $	Accumulated profits $	Total equity attributable to owners of the parent $	Non-controlling interests $	Total equity $
Balance as at 1.1.2013	6,700,001	25,864,630	32,564,631	–	32,564,631
Profit for the financial year, representing total comprehensive income for the financial year	–	4,962,817	4,962,817	187,802	5,150,619
Transactions with owners of the parent:					
Issue of ordinary shares (Note 12)	374,999	–	374,999	125,000	499,999
Dividends (Note 24)	–	(1,000,000)	(1,000,000)	–	(1,000,000)
Total transactions with owners of the parent	374,999	(1,000,000)	(625,001)	125,000	(500,001)
Balance as at 31.12.2013	7,075,000	29,827,447	36,902,447	312,802	37,215,249

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

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2014

	2014 $	2013 $
Cash flows from operating activities		
Profit before income tax	6,276,712	6,327,857
Adjustments for:		
Allowance for impairment of trade receivables	975,905	352,050
Depreciation of property, plant and equipment	10,367,062	9,308,599
Fair value gain on investment property	–	(800,000)
Gain on disposal of plant and equipment	(75,096)	(353,815)
Interest expenses	1,213,476	941,524
Interest income	(125,668)	(3,058)
Loss on disposal of investment property	300,000	–
Share-based payment expenses	425,000	–
Unrealised exchange gain on available-for-sale financial assets	(111,433)	–
Write-back of allowance for impairment of trade receivables no longer required	–	(60,580)
Operating cash flows before working capital changes	19,245,958	15,712,577
Working capital changes:		
Trade and other receivables	(1,101,795)	7,471,359
Prepayments	26,939	76,006
Amounts due to contract customers, net	(1,445,469)	(15,020,596)
Trade and other payables	(2,527,968)	1,052,239
Cash generated from operations	14,197,665	9,291,585
Interest received	40,325	3,058
Income tax paid	(240,721)	(388,888)
Net cash from operating activities	13,997,269	8,905,755
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,231,841)	(369,578)
Purchase of available-for-sale financial assets	(4,753,671)	–
Proceeds from disposal of plant and equipment	540,592	805,501
Proceeds from disposal of investment property	3,500,000	–
Net cash (used in)/from investing activities	(3,944,920)	435,923
Cash flows from financing activities		
Advances to related parties	–	(146,860)
Repayment from related parties	4,545,330	–
Advances from Directors	–	400,110
Repayment to Directors	(2,396,978)	–
Proceeds from trust receipts	63,962,542	44,584,486
Repayment of trust receipts	(63,204,355)	(40,592,110)
Proceeds from term loans	5,002,155	1,500,000
Repayment of term loans	(2,830,268)	(1,427,892)
Interest paid	(1,213,476)	(941,524)
Dividends paid	(5,500,000)	–
Proceeds from issuance of shares	5,500,000	499,999
Share issue expense	(484,238)	–
Repayment of finance lease payables	(9,601,431)	(5,848,706)
Net cash used in financing activities	(6,220,719)	(1,972,497)
Net change in cash and bank balances	3,831,630	7,369,181
Cash and bank balances as at the beginning of the financial year	12,536,380	5,167,199
Cash and bank balances as at the end of the financial year (Note 11)	16,368,010	12,536,380

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

Notes to the Financial Statements

For the financial year ended 31 December 2014

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

1. General corporate information

Huationg Global Limited (the "Company") was incorporated and domiciled in the Republic of Singapore on 1 August 2014 under the Singapore Companies Act, Cap. 50 (the "Act") as a private limited liability company in the name of Huationg Global Private Limited. On 26 November 2014, the Company was converted to a public limited company and changed its name to Huationg Global Limited. The Company was listed on the Catalist board of the Singapore Exchange Securities Trading Limited on 9 December 2014.

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, as a result of restructuring exercise on 11 November 2014.

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 2014 were authorised for issue in accordance with a Directors' resolution dated 31 March 2015.

2. Summary of significant accounting policies

2.1 Basis of preparation of financial statements

The restructuring exercise, which is described in Note 7 to the financial statements, involved companies which are under common control. The consolidated financial statements of the Group have been prepared in a manner similar to the "pooling-of-interest" method. Such manner of presentation reflects the economic substance of the combining companies as a single economic enterprise, although the legal parent-subsidiary relationship was not established until after 11 November 2014.

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

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2014

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

During the financial year, the Group adopted the new or revised FRS and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for the current financial year. Changes to the Group's accounting policies have been made as required in accordance with the relevant transitional provisions in the respective FRS and INT FRS. The adoption of the new or revised FRS and INT FRS did not result in any substantial changes to the Group's accounting policies and has no material effect on the amounts reported for the current and prior financial years except as detailed below.

FRS 110 Consolidated Financial Statements and FRS 27 (Revised) Separate Financial Statements

FRS 110 introduces a single new control model, as the basis for determining which entities are consolidated in the Group's financial statements. Under FRS 110, control exists when the Group has:

– power over an investee;

– exposure, or rights, to variable returns from the investee; and

– the ability to use its power over an investee to affect the Group's returns from the investee.

The Group has applied FRS 110 retrospectively, in accordance with the transitional provisions of FRS 110 and changed its accounting policy for determining whether it has control over an entity and whether it is required to consolidate that interest. The adoption of FRS 110 did not result in any changes to the control conclusions reached by the Group in respect of its involvement with other entities as at the date of initial adoption on 1 January 2014. The adoption of FRS 27 (Revised) did not result in any material changes to the Group's financial statements.

<u>FRS and INT FRS issued but not yet effective</u>

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

			Effective date (annual periods beginning on or after)
FRS 1 (Amendments)	:	Disclosure Initiative	1 January 2016
FRS 16 and FRS 38 (Amendments)	:	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
FRS 19 (Amendments)	:	Defined Benefits Plan: Employee Contribution	1 July 2014
FRS 109	:	Financial Instruments	1 January 2018
FRS 110, FRS 112 and FRS 28 (Amendments)	:	Investment Entities: Applying the Consolidation Exception	1 January 2016
FRS 115	:	Revenue from Contracts with Customers	1 January 2017
Improvements to FRSs 2014			1 July 2014
Improvements to FRSs 2014			1 January 2016

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

FRS and INT FRS issued but not yet effective (Continued)

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

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

FRS 109 Financial Instruments

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

Under FRS 109, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for certain equity investments, for which the Group will have a choice to recognise the gains and losses in other comprehensive income. A third measurement category has been added for debt instruments – fair value through other comprehensive income.

This measurement category applies to debt instruments that meet the Solely Payments of Principal and Interest contractual cash flow characteristics test and where the Group is holding the debt instrument to both collect the contractual cash flows and to sell the financial assets.

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

FRS 109 introduces a new forward-looking impairment model based on expected credit losses to replace the incurred loss model in FRS 39. This determines the recognition of impairment provisions as well as interest revenue. For financial assets at amortised cost or fair value through other comprehensive income, the Group will now always recognise (at a minimum) 12 months of expected losses in profit or loss. Lifetime expected losses will be recognised on these assets when there is a significant increase in credit risk after initial recognition.

FRS 109 also introduces a new hedge accounting model designed to allow entities to better reflect their risk management activities in their financial statements.

The Group plans to adopt FRS 109 in the financial year beginning on 1 January 2018 with retrospective effect in accordance with the transitional provisions. There may be a potentially significant impact on the accounting for financial instruments on initial adoption. Due to the recent release of this standard, the Group has not yet made a detailed assessment of the impact of this standard, however the Group will be required to reassess the classification and measurement of financial assets, particularly those currently classified as available for sale, and the new impairment requirements are expected to result in changes for impairment provisions on trade receivables and other financial assets not measured at fair value through profit or loss.

Notes to the Financial Statements

For the financial year ended 31 December 2014

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

FRS and INT FRS issued but not yet effective (Continued)

FRS 115 Revenue from Contracts with Customers

FRS 115 introduces a comprehensive model that applies to revenue from contracts with customers and supersedes all existing revenue recognition requirements under FRS. The model features a five-step analysis to determine whether, how much and when revenue is recognised, and two approaches for recognising revenue: at a point in time or over time. The core principle is that an entity recognises revenue when control over promised goods or services is transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FRS 115 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

On initial adoption of this standard there may be a potentially significant impact on the timing and profile of revenue recognition of the Group. Due to the recent release of this standard, the Group has not yet made a detailed assessment of the impact of this standard.

The Group plans to adopt the standard in the financial year beginning on 1 January 2017 with either full or modified retrospective effect in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

2.2 Changes in accounting policies

Change in valuation of property, plant and equipment (for leasehold properties) from cost model to the revaluation model

During the financial year, the Group has changed its accounting policy with respect to the subsequent measurement of leasehold properties from cost model to the revaluation model. Under the revaluation model, the carrying amounts of leasehold properties increase as a result of revaluation surplus, the revaluation surplus is recognised in other comprehensive income and accumulated in equity under the heading of asset revaluation reserve. The increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

However, if the carrying amounts of the leasehold properties decreased as a result of revaluation, the decrease is recognised in profit or loss. The decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that leasehold property. The decrease recognised in other comprehensive income reduced the amount accumulated in equity under the heading of asset revaluation reserve.

Leasehold properties are revalued by independent professional valuers with sufficient regularity such that the carrying amounts do not differ materially from those which would be determined using fair values at the end of the financial year. 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.

2. Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies (Continued)

Change in valuation of property, plant and equipment (for leasehold properties) from cost model to the revaluation model (Continued)

This change in accounting policy was applied prospectively in accordance with the standards.

The effects of the change is as follows:

	Leasehold properties $
Balance before revaluation	15,301,947
Gain on revaluation	6,698,053
Balance after revaluation	22,000,000

The effect on other comprehensive income was as follows:

	$
Gain on revaluation	6,698,053

2.3 Basis of consolidation

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

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

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

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

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2014

2. Summary of significant accounting policies (Continued)

2.3 Basis of consolidation (Continued)

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

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

Acquisition under common control

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

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

2.4 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.

2.5 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.

Notes to the Financial Statements

For the financial year ended 31 December 2014

2. Summary of significant accounting policies (Continued)

2.5 Property, plant and equipment (Continued)

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

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

All other items of 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.

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.

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	30 to 52 years
Computers	3 years
Container offices	5 years
Office equipment and electrical fittings	10 years
Plant and machineries	10 years
Worksite equipment	5 years
Trucks and vehicles	10 years

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

Notes to the Financial Statements

For the financial year ended 31 December 2014

2. Summary of significant accounting policies (Continued)

2.6 Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Investment property is subject to renovations or improvements at regular intervals. The costs of major renovations and improvements are capitalised as additions and the carrying amounts of the replaced components are written off to profit or loss. The costs of maintenance, repairs and minor improvement are charged to profit or loss when incurred.

On disposal or retirement of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss.

2.7 Intangible asset

Intangible asset acquired separately, which relates to club membership, is measured initially at cost. Following initial recognition, intangible asset is carried at cost less any accumulated impairment losses.

Intangible asset with indefinite useful lives are tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying amount may be impaired either individually or at the cash-generating unit level. Such intangible asset is not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured at 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.

2.8 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. Summary of significant accounting policies (Continued)

2.9 Financial instruments

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

Effective interest method

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

Financial assets

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

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

Loans and receivables

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

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

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

Certain bond securities and investment in life insurance held by the Group are classified as AFS if they are not classified in any of the other categories. Subsequent to initial recognition, they are measured at fair value and changes therein are recognised in other comprehensive income and accumulated in the available-for-sale reserve, with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the available-for-sale reserve is included in profit or loss for the period.

Impairment of financial assets

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2014

2. Summary of significant accounting policies (Continued)

2.9 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

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

Derecognition of financial assets

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

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

Financial liabilities are classified as other financial liabilities.

Other financial liabilities

Trade and other payables

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

2. Summary of significant accounting policies (Continued)

2.9 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities (Continued)

Borrowings

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

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.

2.10 Construction contracts

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

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

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

2.11 Cash and bank balances

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

Notes to the Financial Statements

For the financial year ended 31 December 2014

2. Summary of significant accounting policies (Continued)

2.12 Revenue recognition

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

Revenue from construction contracts

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

Inland logistics support service income and management fee income

Inland logistics support service income and management fee income are recognised upon completion of services.

Sales of construction materials

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

Rental income

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

Interest income

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

2.13 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.

2.14 Borrowing costs

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

2.15 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.

2.16 Employee leave entitlements

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

2. Summary of significant accounting policies (Continued)

2.17 Leases

Finance leases

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

The Group as a lessee

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

Operating leases

The Group as a lessee

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

The Group as a lessor

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

2.18 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 2014

2. Summary of significant accounting policies (Continued)

2.18 Taxes (Continued)

Deferred tax

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

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

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

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

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

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

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

Sales tax

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

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

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

2.19 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. Summary of significant accounting policies (Continued)

2.20 Foreign currency transactions and translation

Items included in the individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency").

The consolidated financial statements and the statement of financial position of the Company are presented in Singapore dollar, which is the functional currency of the Company and the presentation currency for the financial statements.

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.

2.21 Segment reporting

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

3. Critical accounting judgements and key sources of estimation uncertainty

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

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

3.1 Critical judgements made in applying the accounting policies

In the process of applying the Group's accounting policies, the management is of the opinion that there are no critical judgements involved that have a significant effect on the amounts recognised in the financial statements except as discussed below.

(i) <u>Impairment of investments and financial assets</u>

The Group and the Company follow the guidance of FRS 36 and FRS 39 in determining whether an investment or a financial asset is impaired. This determination requires significant judgement. The Group and the Company evaluate, among other factors, the duration and extent to which the fair value of an investment or a financial asset is less than its cost and the financial health of and near-term business outlook for the investment or financial asset, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

Notes to the Financial Statements

For the financial year ended 31 December 2014

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

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

(ii) Contract revenue

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

Significant judgement is required in determining the stage of completion, the extent of the contract cost incurred, the estimated total contract revenue and contract costs, as well as the recoverability of the contracts. Total contract revenue also includes an estimation of the recoverable variation works that are recoverable from the customers. In making the judgement, management's evaluation is based on the actual level of work performed and past experience.

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) 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 2014 was $82,850,411 (2013: $73,234,159).

(ii) Allowances for impairment of trade and other receivables

The policy for impairment of receivables of the Group is on a case-by-case basis and management's ongoing evaluation of the recoverability of the outstanding receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the assessment of the creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying amounts of Group's and the Company's trade and other receivables (excluding non-refundable deposit) as at 31 December 2014 were $27,520,535 (2013: $31,819,228) and $34,000 (2013: Nil) respectively.

(iii) 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 amount of the Group's current income tax payable as at 31 December 2014 was $1,197,756 (2013: $736,849). The Group's carrying amount of the deferred tax liabilities as at 31 December 2014 was $4,390,019 (2013: $3,966,501) respectively.

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

3.2 Key sources of estimation uncertainty (Continued)

(iv) 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)

– Investment property (Note 5)

– Financial instruments (Note 31.2)

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 2014

4. Property, plant and equipment

	Leasehold properties $	Computers $	Container offices $	Office equipment and electrical fittings $	Plant and machineries $	Worksite equipment $	Trucks and vehicles $	Total $
Group								
Cost								
Balance as at 1.1.2014	17,713,493	181,455	189,952	592,043	63,423,172	1,701,028	33,182,468	116,983,611
Additions	–	4,199	41,050	60,798	11,719,151	494,109	1,397,586	13,716,893
Disposals	–	–	–	–	(347,557)	–	(1,537,864)	(1,885,421)
Revaluation	4,286,507	–	–	–	–	–	–	4,286,507
Balance as at 31.12.2014	22,000,000	185,654	231,002	652,841	74,794,766	2,195,137	33,042,190	133,101,590
Representing:								
At cost	–	185,654	231,002	652,841	74,794,766	2,195,137	33,042,190	111,101,590
At valuation	22,000,000	–	–	–	–	–	–	22,000,000
	22,000,000	185,654	231,002	652,841	74,794,766	2,195,137	33,042,190	133,101,590
Accumulated depreciation								
Balance as at 1.1.2014	2,121,401	161,195	124,004	339,489	28,639,848	893,812	11,469,703	43,749,452
Depreciation	290,145	5,869	25,682	74,666	6,652,716	323,622	2,994,362	10,367,062
Disposals	–	–	–	–	(261,239)	–	(1,192,550)	(1,453,789)
Elimination of depreciation on revaluation	(2,411,546)	–	–	–	–	–	–	(2,411,546)
Balance as at 31.12.2014	–	167,064	149,686	414,155	35,031,325	1,217,434	13,271,515	50,251,179
Carrying amount								
Balance as at 31.12.2014	22,000,000	18,590	81,316	238,686	39,763,441	977,703	19,770,675	82,850,411

4. Property, plant and equipment (Continued)

	Leasehold properties	Computers	Container offices	Office equipment and electrical fittings	Plant and machineries	Worksite equipment	Trucks and vehicles	Total
	$	$	$	$	$	$	$	$
Group								
Cost								
Balance as at 1.1.2013	17,710,305	174,124	179,652	487,639	59,140,443	1,174,312	27,448,382	106,314,857
Additions	3,188	7,331	10,300	104,404	5,275,896	526,716	7,510,988	13,438,823
Disposals	–	–	–	–	(993,167)	–	(1,776,902)	(2,770,069)
Balance as at 31.12.2013	17,713,493	181,455	189,952	592,043	63,423,172	1,701,028	33,182,468	116,983,611
Accumulated depreciation								
Balance as at 1.1.2013	1,541,111	143,913	102,801	279,762	23,856,131	636,575	10,198,943	36,759,236
Depreciation	580,290	17,282	21,203	59,727	5,556,158	257,237	2,816,702	9,308,599
Disposals	–	–	–	–	(772,441)	–	(1,545,942)	(2,318,383)
Balance as at 31.12.2013	2,121,401	161,195	124,004	339,489	28,639,848	893,812	11,469,703	43,749,452
Carrying amount								
Balance as at 31.12.2013	15,592,092	20,260	65,948	252,554	34,783,324	807,216	21,712,765	73,234,159

Notes to the Financial Statements

For the financial year ended 31 December 2014

4. Property, plant and equipment (Continued)

As at 31 December 2014, the Group's plant and machineries with a carrying amount of $33,015,402 (2013: $26,531,646) and trucks and vehicles with a carrying amount of $16,236,646 (2013: $17,203,198) were purchased under finance lease agreements. Finance lease assets are pledged as securities for the related finance lease payables (Note 15).

The Group's leasehold properties as at 31 December 2014 with a fair value of $22,000,000 (2013: a carrying amount of $15,592,092) were pledged as securities for the banking facilities granted to the Group as disclosed in Note 16 to the financial statements.

As at 31 December 2013, a motor vehicle with carrying amount of $119,626 was registered under the name of a Director of the Group who was holding the motor vehicle in trust for the Group.

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

	Group	
	2014	**2013**
	$	**$**
Additions to property, plant and equipment	13,716,893	13,438,823
Acquired under finance lease agreements	(8,516,097)	(9,376,365)
Acquired under trade and other payables	(1,968,955)	(3,692,880)
Cash payments to acquire property, plant and equipment	3,231,841	369,578

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 with a floor area of 7,579 square metre	52 years from 1 January 1989

The Group's leasehold properties had been revalued on 31 December 2014 which was recognised in the financial statements based on valuations performed by Messrs GB Global Pte Ltd, an accredited independent valuation firm. The surpluses of $6,698,053 arising from the revaluations have been credited to other comprehensive income and accumulated in equity under asset revaluation reserve (Note 13). The fair value of leasehold properties has been determined based on the market comparison approach that reflects most recent transaction prices for similar properties, after adjusting for relevant factors such as property size. If the revalued properties had been included in the financial statements at historical cost less accumulated depreciation, the carrying amount as at 31 December 2014 would have been $15,011,803. Details of valuation techniques and inputs used are disclosed in Note 31 to the financial statements.

Notes to the Financial Statements

For the financial year ended 31 December 2014

5. Investment property

	Group	
	2014	2013
	$	$
At fair value		
Balance as at the beginning of the financial year	3,800,000	3,000,000
Fair value gain recognised in profit or loss	–	800,000
Disposed during the financial year	(3,800,000)	–
Balance as at the end of the financial year	–	3,800,000

The Group's investment property was held under freehold interests.

The following amounts are recognised in profit or loss:

	Group	
	2014	2013
	$	$
Rental income from investment property (Note 19)	46,741	55,301
Direct operating expenses arising from rental-generating investment property	3,426	3,960

The Group does not have any investment property that do not generate rental income.

Details of the Group's investment property as at 31 December 2013 were as follows:

Location	Description	Tenure
33 Bedok Road Singapore 469358	3 Storey semi-detached house	Freehold

The Group's investment property was valued as at 31 December 2013 by Messrs GB Global Pte Ltd, an independent professional valuation firm with recent experience in the location and category of the investment property held by the Group. The valuation was based on the market comparison approach. Details of valuation techniques and inputs used are disclosed in Note 31 to the financial statements.

In the previous financial year, the unrealised fair value gain of $800,000 arising from the revaluation was recognised in the line item of "Other income" in the consolidated statement of comprehensive income.

On 7 November 2014, the freehold investment property was sold to a related party for a consideration of $3,500,000.

Notes to the Financial Statements

For the financial year ended 31 December 2014

6. Available-for-sale financial assets

	Group		
	2014		
	Investment in life insurance	Quoted debt securities	Total
	$	$	$
Balance as at the beginning of the financial year	–	–	–
Additions	1,925,034	4,753,671	6,678,705
Interest earned	–	85,341	85,341
Unrealised foreign exchange gain recognised in profit or loss	111,433	–	111,433
Fair value changes recognised in other comprehensive income	42,892	(52,460)	(9,568)
Balance as at the end of the financial year	2,079,359	4,786,552	6,865,911

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

	Group	
	2014	2013
	$	$
Current		
Quoted debt securities, at fair value		
- Instrument I	1,042,930	–
- Instrument II	266,542	–
- Instrument III	1,501,350	–
- Instrument IV	1,975,730	–
	4,786,552	–
Non-current		
Investment in life insurance, at fair value	2,079,359	–
	6,865,911	–

<u>Quoted debt securities</u>

	Group			
	2014		2013	
	Coupon rate	Maturity	Coupon rate	Maturity
Instrument I	5.2%	17 April 2019	–	–
Instrument II	3.75%	19 September 2024	–	–
Instrument III	4.25%	3 April 2019	–	–
Instrument IV	5.35%	1 October 2018	–	–

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

The fair value of the above-mentioned debt securities as at 31 December 2014 is presented in Note 31.1 to the financial statements.

Subsequent to the financial year ended 31 December 2014, Instrument I and Instrument II were disposed for a cash consideration of $1,057,666 and $279,613 respectively.

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

Investment in life insurance

The Group entered into a Flexible Premium Universal Life Insurance Policy – Asian Wealth Prestige Plus (the "Policy") for an executive Director of the Group with a single premium amounting to US$1,929,910 (approximately $2,410,458) by taking up a revolving loan (Note 16). The Policy'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.

The Policy provides the Group with a sum insured of US$10,000,000 or return on investment when the Policy is surrendered to the insurer based on the cash value as determined by the insurer.

5 years from the date of the Policy taken up by the Group on the life of the Director, the Director shall become the beneficiary of the Policy and be entitled to (a) all payments and other benefits arising therefrom after deducting for the amounts paid under the revolving loan (Note 16), as well as (b) the surrender value of the insurance policy.

The initial cash value of the Policy is recognised as an available-for-sale financial asset. The difference between the premium paid and the initial cash value is recognised as a non-current prepayment and is amortised over 5 years.

The interest earned on available-for-sale financial assets amounting to $85,341 (2013: Nil) is recognised in profit or loss under the "Other income" line item.

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

	Group	
	2014	2013
	$	$
Singapore dollar	4,520,010	–
United States dollar	2,345,901	–
	6,865,911	–

7. Investments in subsidiaries

	Company
	2014
	$
Unquoted equity shares, at cost	33,235,384

The details of the subsidiaries are as follows:

Name of company	Country of incorporation and principal place of business	Principal activities	Proportion of ownership interest held by the Group 2014 %	Proportion of ownership interest held by the non-controlling interests 2014 %
Huationg Contractor Pte Ltd [(1)]	Singapore	Provision of civil engineering services and inland construction logistics support	100	–

Notes to the Financial Statements

For the financial year ended 31 December 2014

7. Investments in subsidiaries (Continued)

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

Name of company	Country of incorporation and principal place of business	Principal activities	Proportion of ownership interest held by the Group 2014 %	Proportion of ownership interest held by the non-controlling interests 2014 %
Soil Engineering Pte. Ltd. [(1)]	Singapore	Supply of LSS	100	–
HT Equipment Pte. Ltd. [(1)]	Singapore	Provision of industrial machinery and equipment rental service	75	25

(1) Audited by BDO LLP, Singapore

Prior to the listing of the Company, a restructuring exercise (the "Restructuring Exercise") was carried out which resulted in the Company becoming the holding company of the Group. The following steps were taken in the Restructuring Exercise:

(i) Acquisition of Huationg Contractor Pte Ltd

On 11 November 2014, the Company entered into a sale and purchase agreement with Mr Ng Hai Liong, Ms. Lee Swee Chu, Mr Ng Kian Peng, Albert, Mr Ng Kian Ann Patrick and Mr Ng Kian Yeow, Vincent, for the acquisition of the entire issued share capital of Huationg Contractor Pte Ltd for a consideration of $22,516,497, based on the net tangible assets of Huationg Contractor Pte Ltd adjusted for revaluation reserve as at 30 June 2014. The consideration was satisfied by the allotment and issue of 111,864,000 ordinary shares in the Company. The acquisition was completed on 11 November 2014.

(ii) Acquisition of Soil Engineering Pte. Ltd.

On 11 November 2014, the Company entered into a sale and purchase agreement with Mr Ng Hai Liong, Mr Ng Kian Ann Patrick and Mr Ng Kian Yeow, Vincent, for the acquisition of the entire issued share capital of Soil Engineering Pte. Ltd. for a consideration of $9,703,066, based on the net tangible assets of Soil Engineering Pte. Ltd. as at 30 June 2014. The consideration was satisfied by the allotment and issue of 3,441,998 ordinary shares in the Company. The acquisition was completed on 11 November 2014.

(iii) Acquisition of HT Equipment Pte. Ltd.

On 11 November 2014, the Company entered into a sale and purchase agreement with Mr Ng Kian Ann Patrick and Mr Ng Kian Yeow, Vincent, for the acquisition of 75.0% share capital of HT Equipment Pte. Ltd. for a consideration of $1,015,821, based on the net tangible assets of HT Equipment Pte. Ltd. as at 30 June 2014. The consideration was satisfied by the allotment and issue of 6,453,600 ordinary shares in the Company. The acquisition was completed on 11 November 2014.

8. Intangible asset

	Group 2014 $	Group 2013 $
Club membership, at cost	54,400	54,400
Less: Allowance for impairment	(43,400)	(43,400)
	11,000	11,000

Notes to the Financial Statements

For the financial year ended 31 December 2014

9. Construction contracts

	Group	
	2014	2013
	$	$
Contracts in progress as at 31 December:		
Amounts due from contract customers	11,580,841	11,095,948
Amounts due to contract customers	(5,438,497)	(6,399,073)
	6,142,344	4,696,875
Contract costs incurred and attributable profits less recognised losses	344,448,922	240,648,346
Less: Progress billings	(338,306,578)	(235,951,471)
	6,142,344	4,696,875

As at 31 December 2014, retention monies held by customers for contract work amounted to $12,568,375 (2013: $9,641,129) are presented within trade receivables in Note 10. The amounts due from and to contract customers are denominated in Singapore dollar.

10. Trade and other receivables

	Group		Company
	2014	2013	2014
	$	$	$
Trade receivables			
- third parties	15,832,100	18,464,952	–
- a related party	–	10,109	–
Retention sums on construction contracts	12,568,375	9,641,129	–
	28,400,475	28,116,190	–
Less: Allowance for impairment – third parties	(2,433,336)	(1,467,720)	–
	25,967,139	26,648,470	–
Other receivables			
- third parties	44,088	19,143	34,000
- employees	58,557	43,449	–
- related parties	–	4,545,330	–
	102,645	4,607,922	34,000
Deposits			
- refundable	1,450,751	562,836	–
- non-refundable	256,893	377,642	–
	1,707,644	940,478	–
Trade and other receivables	27,777,428	32,196,870	34,000
Add/(Less):			
Cash and bank balances	16,368,010	12,536,380	4,588,991
Amounts due from contract customers	11,580,841	11,095,948	–
Non-refundable deposits	(256,893)	(377,642)	–
Loans and receivables	55,469,386	55,451,556	4,622,991

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

Trade and non-trade receivables from related parties were unsecured, non-interest bearing and repayable on demand.

Notes to the Financial Statements

For the financial year ended 31 December 2014

10. Trade and other receivables (Continued)

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

The allowance for impairment of trade receivables amounting to $975,905 (2013: $352,050) was recognised in profit or loss under "other expenses" line item.

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

	Group		Company
	2014	2013	2014
	$	$	$
Balance as at the beginning of the financial year	1,467,720	1,176,250	–
Allowance made during the financial year	975,905	352,050	–
Write-back of allowance no longer required	–	(60,580)	–
Bad debts written-off	(10,289)	–	–
Balance as at the end of the financial year	2,433,336	1,467,720	–

Trade receivables are subject to a negative pledge as security for the banking facilities as set out in Note 16 to the financial statements.

Trade and other receivables are denominated in Singapore dollar.

11. Cash and bank balances

Cash and bank balances are denominated in the following currencies:

	Group		Company
	2014	2013	2014
	$	$	$
Singapore dollar	16,304,616	12,476,663	4,588,991
United States dollar	60,098	56,353	–
Euro	3,296	3,364	–
	16,368,010	12,536,380	4,588,991

Notes to the Financial Statements

For the financial year ended 31 December 2014

12. Share capital

	Group and Company	Group		Company
	2014	2014	2013	2014
	Number of ordinary shares	$	$	$
Issued and fully-paid				
Balance* as at the beginning of the financial year/period	–	7,075,000	6,700,001	–
Issuance of 374,999 ordinary shares in HT Equipment Pte. Ltd.	–	–	374,999	–
Issuance of 2 subscriber's shares at date of incorporation of the Company	2	2	–	2
Deemed distribution to owners pursuant to the Restructuring Exercise	–	(7,075,000)	–	–
Issuance of ordinary shares pursuant to the Restructuring Exercise	121,759,598	33,235,384	–	33,235,384
Share-based payment expenses#	2,125,000	425,000	–	425,000
Issuance of ordinary shares pursuant to initial public offering exercise	27,500,000	5,500,000	–	5,500,000
Less: Share issue expenses+	–	(484,238)	–	(484,238)
Balance* as at the end of the financial year/period	151,384,600	38,676,148	7,075,000	38,676,148

* For the Group's comparative figures in the financial year ended 31 December 2013, the share capital of the Group represents the aggregated value of the issued and fully paid-up share capital of the Company's subsidiaries that were acquired under common control as the Company was only incorporated on 1 August 2014.

\# On 26 November 2014, the Company issued 1,875,000 and 250,000 ordinary shares for a consideration of $375,000 and $50,000, for professional fees paid to the Sponsor and employee of the Company, respectively, as disclosed in Note 21 to the financial statements. The professional fees paid were in connection with the Company's initial public offering.

\+ Included in these expenses is an allocation portion of professional fees paid to the auditors of the Company in respect of professional services rendered as independent reporting auditors in connection with the Company's initial public offering. This allocation portion of professional fees amounted to $32,400.

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.

On 1 August 2014, the Company issued 2 subscriber's share for a cash consideration of $2 at the date of its incorporation.

On 11 November 2014, pursuant to the Restructuring Exercise as described in Note 7, 121,759,598 ordinary shares were issued for a deemed consideration of $33,235,384.

On 9 December 2014, the Company issued 27,500,000 ordinary shares at $0.20 per share pursuant to the Company's initial public offering exercise. The proceeds from the initial public offering exercise will be used as working capital of the Group.

Notes to the Financial Statements

For the financial year ended 31 December 2014

13. Other reserves

	Group 2014 $	Group 2013 $
Asset revaluation reserve	6,698,053	–
Merger reserve	(26,160,386)	–
Available-for-sale reserve	(9,568)	–
	(19,471,901)	–

Asset revaluation reserve

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

	Group 2014 $	Group 2013 $
Balance as at the beginning of the financial year	–	–
Gain on revaluation (Note 4)	6,698,053	–
Balance as at the end of the financial year	6,698,053	–

Merger reserve

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

	Group 2014 $	Group 2013 $
Balance as at the beginning of the financial year	–	–
Deemed distribution to owners of the parent pursuant to the Restructuring Exercise	(26,160,386)	–
Balance as at the end of the financial year	(26,160,386)	–

Available-for-sale reserve

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

	Group 2014 $	Group 2013 $
Balance as at the beginning of the financial year	–	–
Loss on changes in fair value (Note 6)	(9,568)	–
Balance as at the end of the financial year	(9,568)	–

Notes to the Financial Statements

For the financial year ended 31 December 2014

14. Trade and other payables

	Group		Company
	2014	2013	2014
	$	$	$
Current			
Trade payables			
- third parties	13,583,085	17,319,441	–
- a related party	1,563,693	1,882,132	–
Retention sums payable to subcontractors	934,842	449,582	–
	16,081,620	19,651,155	–
Other payables			
- third parties	170,007	142,046	48,635
- staff retention monies	624,551	716,891	–
- a subsidiary	–	–	562,415
- Directors	230,003	2,396,978	17,466
- dividend payable	3,495,000	1,000,000	–
	4,519,561	4,255,915	628,516
Refundable deposits	160,420	388,697	–
Advance rental	400,000	400,000	–
Accrued expenses	3,065,858	3,285,563	–
	24,227,459	27,981,330	628,516
Non-current			
Other payables			
- advance rental	133,333	533,333	–
Trade and other payables	24,360,792	28,514,663	628,516
Add/(Less):			
Advance rental	(533,333)	(933,333)	–
Finance lease payables	33,393,185	30,751,776	–
Bank borrowings	31,041,967	25,701,435	–
Other financial liabilities at amortised cost	88,262,611	84,034,541	628,516

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

The non-trade amounts due to Directors, a subsidiary and dividend payable are unsecured, non-interest bearing, repayable on demand.

Current and non-current advance rental represent part of the consideration arising from the purchase of a property located at 9 Benoi Crescent, Singapore 629972 by the Group in May 2011 from its previous owner which became one of the Group's lessee. Part of the consideration paid to the previous owner was used as a prepaid rent and shall be amortised over the next 5 years from the date of the commencement of the lease.

Trade and other payables are denominated in Singapore dollar.

Notes to the Financial Statements

For the financial year ended 31 December 2014

15. Finance lease payables

	Minimum lease payments	Future finance charges	Present value of minimum lease payments
	$	$	$
Group			
2014			
Not later than one year	11,597,870	(499,824)	11,098,046
Later than one year and not later than five years	22,850,758	(555,619)	22,295,139
	34,448,628	(1,055,443)	33,393,185
2013			
Not later than one year	9,619,449	(472,801)	9,146,648
Later than one year and not later than five years	22,123,960	(518,832)	21,605,128
	31,743,409	(991,633)	30,751,776

The finance lease term is 4 to 5 years. The average effective interest rates for the finance lease payables are 2.09% (2013: 2.26%) per annum.

The finance lease payables are secured by the lessor's title to the leased asset (Note 4).

The finance lease payables are denominated in Singapore dollar.

16. Bank borrowings

	Group	
	2014	2013
	$	$
Current		
Secured		
Revolving loan I	2,410,458	–
Revolving loan II	1,000,000	–
Term loan I	660,000	660,000
Trust receipts I	3,451,593	4,208,206
	7,522,051	4,868,206
Unsecured		
Trust receipts II	9,990,104	8,475,304
Revolving loan III	–	1,500,000
Term loan II	–	22,925
Term loan III	1,285,311	–
	11,275,415	9,998,229
	18,797,466	14,866,435
Non-current		
Secured		
Term loan I	10,175,000	10,835,000
Unsecured		
Term loan III	2,069,501	–
	12,244,501	10,835,000
Total bank borrowings	31,041,967	25,701,435

16. Bank borrowings (Continued)

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

	Group	
	2014	2013
	%	%
Revolving loans	1.56	1.75
Term loans	2.13	1.20
Trust receipts	1.70	1.60

As at 31 December 2014, the revolving loans I and II amounting to $2,410,458 and $1,000,000 (2013: Nil and Nil) respectively are secured through the legal mortgage over the leasehold property of the Group (Note 5), joint and severally guarantee from certain executive Directors of the Company amounting to $13,200,000 (2013: $13,200,000), and first legal assignment of all the rights, title, interests and benefits arising from the Policy (Note 6).

Term loan I is repayable over a period of 20 years by monthly instalments commencing from May 2011. Term loan I is secured by the legal mortgage over the leasehold property of the Group (Note 4), and joint and severally guarantee from certain executive Directors of the Company amounting to $13,200,000 (2013: $13,200,000).

As at 31 December 2014, the trust receipts I are secured by the legal mortgage over the leasehold property of the Group (Note 4), and a negative pledge on trade receivables (Note 10). As at 31 December 2014, the trust receipts I and II are supported by joint and severally guarantees from certain executive Directors of the Company, amounting to $36,300,000 (2013: $29,100,000).

The revolving loan III amounting to $1,500,000 as at 31 December 2013 was supported by joint and severally guarantees from certain executive Directors of the Company amounting to $11,000,000.

Term loan II was repayable over a period of 4 years by monthly instalments commencing from February 2010. The term loan II was supported by joint and severally guarantees from certain executive Directors of the Company. The term loan II was fully repaid in January 2014.

Term loan III is repayable over a period of 3 years by monthly instalments commencing from June 2014. The term loan III is supported by joint and severally guarantees from certain executive Directors of the Company amounting to $4,000,000.

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

	Group	
	2014	2013
	$	$
Facilities granted	93,069,317	78,560,000
Facilities utilised	38,156,117	34,145,925

Notes to the Financial Statements

For the financial year ended 31 December 2014

16. Bank borrowings (Continued)

Subsequent to the financial year ended 31 December 2014, the Company issued corporate guarantees amounting to $12,780,000 to banks for banking facilities granted to a subsidiary, in place of the existing joint and severally guarantees from certain executive Directors of the Company.

Bank borrowings are denominated in the following currencies:

	Group	
	2014	2013
	$	$
Singapore dollar	28,631,509	25,701,635
United States dollar	2,410,458	–
	31,041,967	25,701,635

17. 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	Foreseeable losses	Others	Total
	$	$	$	$
Group				
Balance as at 1.1.2014	3,966,501	–	–	3,966,501
Charged/(credited) to profit or loss	458,418	(3,900)	(31,000)	423,518
Balance as at 31.12.2014	4,424,919	(3,900)	(31,000)	4,390,019
Balance as at 1.1.2013	3,955,000	(250,000)	(21,000)	3,684,000
Charged to profit or loss	11,501	250,000	21,000	282,501
Balance as at 31.12.2013	3,966,501	–	–	3,966,501

18. Revenue

	Group	
	2014	2013
	$	$
Revenue from contract works	103,791,328	79,612,922
Inland logistics support service income	27,368,823	23,824,469
Sales of construction materials	2,171,937	5,037,786
	133,332,088	108,475,177

Notes to the Financial Statements

For the financial year ended 31 December 2014

19. Other income

	Group	
	2014	2013
	$	$
Fair value gain on investment property	–	800,000
Forfeited deposit	135,095	–
Gain on disposal of plant and equipment	75,096	353,815
Government grants	234,664	313,678
Insurance claim monies received*	758,026	45,249
Interest income from:		
- bank	40,327	3,058
- available-for-sale financial assets	85,341	–
Management fee income	–	260,000
Operating lease income		
- leasehold properties	1,017,394	1,061,503
- investment property	46,741	55,301
- sublease of other operating lease facilities	1,328,027	1,024,279
Sponsorship income	75,000	–
Realised foreign exchange gain, net	12,574	–
Unrealised exchange gain on available-for-sale financial asset	111,433	–
Sundry income	206,805	48,296
	4,126,523	3,965,179

* In the financial year ended 31 December 2014, insurance claim monies received mainly relates to compensation for fire damage to the Group's plant and equipment.

20. Finance costs

	Group	
	2014	2013
	$	$
Interest expenses		
- bank overdrafts	57	785
- finance lease	601,239	585,826
- late payment	304	679
- revolving loan	48,650	9,517
- term loans	226,944	151,857
- trust receipts	278,772	189,093
- others	57,510	3,767
	1,213,476	941,524
Bank charges	179,559	226,393
	1,393,035	1,167,917

Notes to the Financial Statements

For the financial year ended 31 December 2014

21. 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	
	2014	2013
	$	$
Cost of sales and services		
Employee benefits expense		
- salaries, wages and other benefits	18,350,987	16,284,020
- contribution to Central Provident Fund	344,247	325,696
Depreciation of property, plant and equipment	10,003,584	8,654,412
Diesel/fuel costs	13,301,503	15,318,538
Material costs	19,532,923	19,806,191
Operating lease expense		
- trucks and equipment	5,042,489	4,927,593
Repair and maintenance	8,038,339	8,185,806
Subcontract costs	33,583,716	16,093,581
Administrative expenses		
Employee benefits expense		
- salaries, wages and other benefits	9,614,902	6,613,130
- contribution to Central Provident Fund	455,801	683,414
- share-based payment expense (Note 12)	50,000	–
Directors' fees	17,466	–
Directors' remuneration		
- salaries, wages and other benefits	1,113,524	779,620
- contribution to Central Provident Fund	98,671	66,004
Depreciation of property, plant and equipment	363,478	654,187
Operating lease expense		
- construction site and other operating facilities	1,855,980	1,472,505
Share-based payment expense - professional fee (Note 12)	375,000	–
Other expenses		
Allowance for impairment of trade receivables	975,905	352,050
Foreign exchange loss, net	–	12,966
Initial public offering exercise expenses	1,458,123	–
Write-back of allowance for impairment of trade receivables no longer required	–	(60,580)
Loss on disposal of investment property	300,000	–
Penalty and fine	310,173	416,417
Transportation expense	172,001	44,409

Notes to the Financial Statements

For the financial year ended 31 December 2014

22. Income tax expense

	Group 2014 $	Group 2013 $
Current income tax		
- current financial year	980,063	763,709
- (over)/underprovision in prior financial years	(278,433)	131,028
	701,630	894,737
Deferred income tax		
- current financial year	65,518	65,501
- underprovision in prior financial years	358,000	217,000
	423,518	282,501
	1,125,148	1,177,238

Reconciliation of effective income tax rate

Singapore income tax is calculated at 17% (2013: 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 2014 $	Group 2013 $
Profit before income tax	6,276,712	6,327,857
Income tax calculated at Singapore's statutory tax rate	1,067,041	1,075,736
Tax effect of:		
- income not subject to tax	(18,943)	(183,383)
- expenses not deductible for tax purposes	415,920	207,049
- tax rebates and enhanced allowances	(357,999)	(184,859)
- Singapore statutory stepped income exemption	(59,925)	(85,850)
(Over)/underprovision of current income tax in prior financial years	(278,433)	131,028
Underprovision of deferred tax in prior financial years	358,000	217,000
Others	(513)	517
	1,125,148	1,177,238

Notes to the Financial Statements

For the financial year ended 31 December 2014

23. Earnings per share

Basic earnings per share

The calculation for earnings per share is based on:

	Group	
	2014	**2013**
Profit attributable to owners of the parent ($)	5,106,350	4,962,817
Weighted average number of ordinary shares in issue during the financial year applicable to basic earnings per share	124,304,805	121,759,600
Basic earnings per share (in cents)	4.11	4.08

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 2014 and 2013 divided by the weighted average number of ordinary shares in the relevant periods.

For comparative purposes, the basic earnings per ordinary share for the financial year ended 31 December 2013 was computed based on number of ordinary shares post Restructuring Exercise of 121,759,600. Basic earnings per ordinary share for the financial year ended 31 December 2014 was based on weighted average number of ordinary shares of 124,304,805.

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.

24. Dividends

	Group and Company	
	2014	**2013**
	$	**$**
First interim tax-exempt dividend of Nil (2013: $0.1493) per ordinary share in respect of previous financial year	–	1,000,000
Final tax-exempt dividend of Nil (2013: $1.23) per ordinary share in respect of previous financial year	7,995,000	–
	7,995,000	1,000,000

The Directors of the Company did not recommend any dividends in respect of current financial year.

25. Significant related party transactions

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

(i) Has control or joint control over the Company;

(ii) Has significant influence over the Company; or

(iii) Is a member of the key management personnel of the Group and Company or of a parent of the Company.

(b) An entity is related to the Company if any of the following conditions apply:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint venture of the same third party.

(iv) One entity is a joint ventures of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

During the financial year ended 31 December 2014, 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	
	2014	**2013**
	$	**$**
With related parties*		
Rental of equipment and trucks to related parties	34,519	–
Disposal of trucks and vehicles	17,411	–
Labour services rendered from related parties	32,640	–
Management fee income charged to related parties	–	260,000
Purchase of construction materials	13,800	650,000
Rental of equipment and trucks from related parties	4,256,318	4,221,600

* Related parties refer to entities owned by the executive Directors of the Company which are not within the Group.

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For the financial year ended 31 December 2014

25. Significant related party transactions (Continued)

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.

The remuneration of key management personnel of the Group during the financial years ended 31 December 2014 and 2013 were as follows:

	Group	
	2014	**2013**
	$	**$**
Directors of the Company		
- Directors' fees	17,466	–
- short-term employee benefits	949,524	583,570
- post-employment benefits	77,743	42,804
	1,044,733	626,374
Directors of subsidiaries		
- short-term employee benefits	164,000	196,050
- post-employment benefits	20,928	23,200
	184,928	219,250
Other key management personnel		
- short-term employee benefits	353,344	–
- post-employment benefits	34,800	–
- share-based payment	50,000	–
	438,144	–
	1,667,805	845,624

Commitments with related parties

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

	Group	
	2014	**2013**
	$	**$**
Not later than one year	4,142,400	–
Later than one year and not later than five years	16,174,200	–
	20,316,600	–

26. Operating lease commitments

The Group as lessee

In addition to the commitments as disclosed in Note 25 to the financial statements, commitments in respect of non-cancellable operating leases in respect of construction site and other operating facilities to third parties at the end of the financial year are as follows:

	Group	
	2014	2013
	$	$
Not later than one year	1,700,329	743,604
Later than one year and not later than five years	877,240	863,847
	2,577,569	1,607,451

Operating lease payments represent rents payable by the Group for construction site and other operating facilities. Leases are negotiated for an average term of 2 to 3 years and rentals are fixed for an average of 2 to 3 years with no provisions for contingent rent or upward revision of rent based on market price indices.

The Group as lessor

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

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

	Group	
	2014	2013
	$	$
Not later than one year	940,179	1,036,261
Later than one year and not later than five years	181,339	295,000
	1,121,518	1,331,261

27. Capital commitments

	Group	
	2014	2013
	$	$
Capital expenditure approved and contracted for but not provided for in the financial statements	3,356,200	2,138,395

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For the financial year ended 31 December 2014

28. Contingent liabilities

As at the end of the financial year, the Group has the following unsecured contingent liabilities:

	Group	
	2014	**2013**
	$	**$**
Guarantees given as securities for term loan and finance lease facilities granted to a related party	–	16,315,600

In the previous financial year, the Group has not recognised any liability in respect of the guarantees given to the banks for banking facilities granted to a related party as the Directors have assessed that the likelihood of the related party defaulting on repayment of its loan is remote. During the financial year ended 31 December 2014, the guarantee granted to a related party has been fully discharged.

29. Segment information

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

(a) Civil engineering services;

(b) Inland logistics support; and

(c) Sales of construction materials.

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

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

Sales of construction materials include the supplies of LSS, 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.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise assets, liabilities and other corporate expenses.

Notes to the Financial Statements

For the financial year ended 31 December 2014

29. Segment information (Continued)

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

Business segment	Civil engineering services $	Inland logistics support $	Sale of construction materials $	Unallocated $	Elimination $	Consolidated $
2014						
Revenue						
External revenue	103,791,328	27,368,823	2,171,937	–	–	133,332,088
Inter-segment revenue	–	3,624,741	2,275,216	–	(5,899,957)	–
	103,791,328	30,993,564	4,447,153	–	(5,899,957)	133,332,088
Results						
Segment results	17,735,246	3,731,986	260,632	(14,363,344)	–	7,364,520
Interest income						125,668
Interest expenses						(1,213,476)
Profit before income tax						6,276,712
Income tax expense						(1,125,148)
Profit for the financial year						5,151,564
Non-cash items						
Gain on disposal of property, plant and equipment	–	–	–	75,096	–	75,096
Unrealised exchange gain on available-for-sale financial assets	–	–	–	111,433	–	111,433
Loss on disposal of investment property	(300,000)	–	–	–	–	(300,000)
Depreciation of property, plant and equipment	–	–	–	(10,367,062)	–	(10,367,062)
Allowance for impairment of trade receivables	(917,149)	(58,756)	–	–	–	(975,905)

Notes to the Financial Statements

For the financial year ended 31 December 2014

29. Segment information (Continued)

Business segment	Civil engineering services	Inland logistics support	Sale of construction materials	Unallocated	Elimination	Consolidated
	$	$	$	$	$	$
2013						
Revenue						
External revenue	79,612,922	23,824,469	5,037,786	–	–	108,475,177
Inter-segment revenue	–	2,148,394	4,151,152	–	(6,299,546)	–
	79,612,922	25,972,863	9,188,938	–	(6,299,546)	108,475,177
Results						
Segment results	16,243,989	1,738,593	606,577	(11,322,836)	–	7,266,323
Interest income						3,058
Interest expenses						(941,524)
Profit before income tax						6,327,857
Income tax expense						(1,177,238)
Profit for the financial year						5,150,619
Non-cash items						
Fair value gain on investment property	–	–	–	800,000	–	800,000
Gain on disposal of property, plant and equipment	–	–	–	353,815	–	353,815
Write-back of allowance for impairment of trade receivables no longer required	60,580	–	–	–	–	60,580
Depreciation of property, plant and equipment	–	–	–	(9,308,599)	–	(9,308,599)
Allowance for impairment of trade receivables	(352,050)	–	–	–	–	(352,050)

Major customers

For the financial year ended 31 December 2014, the revenue from 2 (2013: 2) major customers of the Group amounted to approximately $43,144,715 (2013: $31,282,000) of the total revenue from civil engineering services segment.

Geographic information

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

30. Financial instruments, financial risks and capital management

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

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

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

30.1 Credit risks

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

As at 31 December 2014, the Group does not have significant credit exposure to any single counterparty. As at 31 December 2013, approximately 38% of the Group's trade receivable from third parties (including retention sums on construction contracts) were due from 3 customers.

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

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

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

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

	Group	
	2014	**2013**
	$	**$**
Past due for 1 to 30 days	4,412,727	4,384,378
Past due for 31 to 60 days	859,273	1,176,861
Past due for 61 to 90 days	707,370	519,194
Past due for more than 90 days	1,108,946	1,063,114

Notes to the Financial Statements

For the financial year ended 31 December 2014

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

30.2 Market risks

Foreign currency risks

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

As at the end of the financial year, monetary items denominated in a currency other than the respective entities' functional currency comprise cash and bank balances (Note 11), available-for-sale financial assets (Note 6) and bank borrowings (Note 16).

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

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

	Group	
	2014	**2013**
	$	**$**
Monetary assets		
United States dollar	2,405,999	56,353
Monetary liabilities		
United States dollar	2,410,458	–

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 10% (2013: 10%) change in Singapore dollar against the United States dollar. The sensitivity analysis assumes an instantaneous 10% (2013: 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	
	2014	**2013**
	$	**$**
Group		
United States dollar		
Strengthened against Singapore dollar	(370)	4,677
Weakened against Singapore dollar	370	(4,677)

Notes to the Financial Statements

For the financial year ended 31 December 2014

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

30.2 Market risks (Continued)

Interest rate risks

The Group's exposure to market risk for changes in interest rates relates primarily to finance lease payables and bank borrowings as shown in Notes 15 and 16 to the financial statements respectively.

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

If the interest rate increases or decreases by 0.5%, the Group's profit or loss and equity will decrease or increase by approximately $158,964 (2013: $90,432) as at 31 December 2014, arising mainly as a result of higher or lower interest on floating rates for finance lease payables and bank borrowings. The interest expense from finance lease payables and bank borrowings are recognised as an expense under "Finance costs" line item in the consolidated statement of comprehensive income.

Price risk

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

Debt securities price sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to debt securities price risks at the end of the financial year. The sensitivity analysis assumes an instantaneous 5% (2013: Nil) change in the debt securities prices from the end of the financial year, with all variables held constant.

	Increase/(Decrease) Equity	
	2014	**2013**
	$	**$**
Group		
Available-for-sale financial assets		
Increase by 5%	239,328	–
Decrease by 5%	(239,328)	–

30.3 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 2014

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

30.3 Liquidity risks (Continued)

	Effective interest rate	Within one financial year	After one financial year but within five financial years	More than five financial years	Total
	%	$	$	$	$
Group					
2014					
Financial liabilities					
Trade and other payables	–	23,827,459	–	–	23,827,459
Finance lease payables	2.09	11,597,870	22,850,758	–	34,448,628
Bank loans, floating interest rates:					
- revolving loans	1.56	3,463,753	–	–	3,463,753
- term loans	2.13	2,215,445	5,848,282	9,032,775	17,096,502
Trust receipts	1.70	13,498,647	–	–	13,498,647
		54,603,174	28,699,040	9,032,775	92,334,989
2013					
Financial liabilities					
Trade and other payables	–	27,581,330	–	–	27,581,330
Finance lease payables	2.26	9,619,449	22,123,960	–	31,743,409
Bank loans, floating interest rates:					
- revolving loans	1.75	1,506,563	–	–	1,506,563
- term loans	1.20	820,297	3,204,919	8,726,361	12,751,577
Trust receipts	1.60	12,733,233	–	–	12,733,233
		52,260,872	25,328,879	8,726,361	86,316,112
Company					
2014					
Other payables	–	628,516	–	–	628,516

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 finance lease and bank borrowings are disclosed in Notes 15 and 16 to these financial statements respectively.

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

30.4 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 Group and the Company is in compliance with externally imposed capital requirements for the financial years ended 31 December 2014 and 2013.

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 period.

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

	Group		Company
	2014	2013	2014
	$	$	$
Trade and other payables	24,360,792	28,514,663	628,516
Finance lease payables	33,393,185	30,751,776	–
Bank borrowings	31,041,967	25,701,435	–
Less: Cash and bank balances	(16,368,010)	(12,536,380)	(4,588,991)
Net debt	72,427,934	72,431,494	(3,960,475)
Total equity	46,501,060	37,215,249	37,229,859
Total capital	118,928,994	109,646,743	33,269,384
Gearing ratio	61%	66%	N.M.*

* Not meaningful

31. Fair value measurement

31.1 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 finance lease payables and bank borrowings approximates its fair value as these financial instruments are mostly at floating interest rates.

Notes to the Financial Statements

For the financial year ended 31 December 2014

31. Fair value measurement (Continued)

31.1 Fair value of financial assets and financial liabilities (Continued)

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

	Recurring fair value measurement using:		
	Level 1	**Level 2**	**Level 3**
	$	**$**	**$**
Group			
31 December 2014			
Assets			
Available-for-sale financial assets			
- quoted debt securities	4,786,552	–	–
- investment in life insurance	–	–	2,079,359
Total	4,786,552	–	2,079,359
31 December 2013			
Assets			
Available-for-sale financial assets			
- quoted debt securities	–	–	–
- investment in life insurance	–	–	–
Total	–	–	–

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.

31.2 Fair value of leasehold properties and investment property

The fair value of leasehold properties and investment property 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.

Notes to the Financial Statements

For the financial year ended 31 December 2014

31. Fair value measurement (Continued)

31.2 Fair value of leasehold properties and investment property (Continued)

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 and investment property are considered level 3 recurring fair value measurements.

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

Description	Fair value as at 31 December 2014	Valuation techniques	Unobservable inputs	Relationship of unobservable inputs to fair value
Leasehold properties:				
Held for generating operating lease income and own use	22,000,000	Market comparable approach	Yield adjustments based on management's assumptions*	The higher the yield adjustments, the higher the fair value

Description	Fair value as at 31 December 2013	Valuation techniques	Unobservable inputs	Relationship of unobservable inputs to fair value
Investment property:				
Held for generating operating lease income	3,800,000	Market comparable approach	Yield adjustments based on management's assumptions*	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.

Notes to the Financial Statements

For the financial year ended 31 December 2014

31. Fair value measurement (Continued)

31.2 Fair value of leasehold properties and investment property (Continued)

Level 3 recurring fair value measurements (Continued)

(ii) Valuation policies and procedures

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

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

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.

31.3 Reconciliation of opening and closing fair value balance

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

– Revalued leasehold properties - property, plant and equipment (Note 2.2)

– Investment property (Note 5)

– Available-for-sale financial assets (Note 6)

32. Comparative figures

As described on Note 2.1 to the financial statements, the comparative figures of the Group for the preceding financial year have been presented under pooling-of-interest method. The effective date of the pooling-of-interest for accounting purposes predates 1 January 2014, the beginning of the financial year for which the comparative figures are being presented, as the Group has been under common control prior to 1 January 2014.

There are no comparative figures for the statement of financial position of the Company as this is the first set of audited financial statements prepared since its incorporation on 1 August 2014.

Statistics of Shareholdings

As at 31 March 2015

Issued and Fully Paid Capital	**:**	**SGD38,676,148**
Class of shares	**:**	**Ordinary Shares**
Voting rights	**:**	**1 vote per share**
Total no. of issued Ordinary Shares	**:**	**151,384,600**
Total no. of Treasury Shares	**:**	**Nil**

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	0	0.00	0	0.00
100 - 1,000	3	1.87	2,500	0.00
1,001 - 10,000	51	31.87	336,800	0.22
10,001 - 1,000,000	99	61.88	11,733,300	7.75
1,000,001 AND ABOVE	7	4.38	139,312,000	92.03
TOTAL	**160**	**100.00**	**151,384,600**	**100.00**

SUBSTANTIAL SHAREHOLDER

As shown in the Register of Substantial Shareholders

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

Statistics of Shareholdings

As at 31 March 2015

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	DANDELION CAPITAL PTE. LTD.	121,759,600	80.43
2	CITIBANK NOMINEES SINGAPORE PTE LTD	7,000,000	4.62
3	UOB KAY HIAN PRIVATE LIMITED	2,457,600	1.62
4	RHB SECURITIES SINGAPORE PTE. LTD.	2,300,000	1.52
5	LIM & TAN SECURITIES PTE LTD	2,175,000	1.44
6	NEO AIK CHYE	2,000,000	1.32
7	PRIMEPARTNERS CORPORATE FINANCE PTE LTD	1,619,800	1.07
8	SEOW KUI LIM	1,000,000	0.66
9	LIM CHYE HUAT @ BOBBY LIM CHYE HUAT	780,000	0.52
10	LEE TONG HONG	594,000	0.39
11	TOR TECK JIN	500,000	0.33
12	CHONG THIM PHENG	490,000	0.32
13	LIM SENG GAY (LIN CHENGYI)	380,000	0.25
14	LIM PENG HUAT	372,000	0.25
15	TAN AH CHANG	350,000	0.23
16	CHUANG LEE ENG	322,000	0.21
17	LIM LAI PHIN	300,000	0.20
18	TAN YAM HON (CHEN YANHUANG)	260,000	0.17
19	GOH TUCK PENG	250,000	0.17
20	LAU CHUN KEAN MELVIN (LIU JUNQIANG MELVIN)	245,100	0.16
	TOTAL	**145,155,100**	**95.88**

RULE 723 OF THE CATALIST RULES – FREE FLOAT

As at 31 March 2015, approximately 19.57% of the total number of issued shares excluding treasury shares of the Company was held in the hands of the public.

Accordingly, the Company has complied with Rule 723 of the Singapore Exchange Securities Trading Limited's listing manual Section B: Rules of Catalist ("**Catalist Rules**").

The Company did not hold any treasury shares as at 31 March 2015.

Notice of Annual General Meeting

(Company Registration No.: 201422395Z)
(Incorporated in Singapore)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of **HUATIONG GLOBAL LIMITED** will be held at Raffles Marina Ltd, 10 Tuas West Drive, Singapore 638404 on Wednesday, 29 April 2015 at 3.00 p.m. to transact the following business:-

ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Financial Statements for the financial year ended 31 December 2014 together with the Independent Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors of the Company retiring pursuant to Articles 93 and 99 of the Articles of Association of the Company, and who have, being eligible, offered themselves for re-election as Directors:

Mr Ng Hai Liong	(Retiring under Article 93)	**(Resolution 2)**
Mr Ng Kian Yeow, Vincent	(Retiring under Article 99)	**(Resolution 3)**
Mr Yuen Sou Wai	(Retiring under Article 99)	**(Resolution 4)**
Mr Yen Se-Hua Stewart	(Retiring under Article 99)	**(Resolution 5)**
Mr Wee Heng Yi, Adrian	(Retiring under Article 99)	**(Resolution 6)**

The detailed information of the above mentioned directors as recommended under Guideline 4.7 of the Code of Corporate Governance 2012 can be found under the section entitled "Board of Directors" and the "Report on Corporate Governance" in the Annual Report.

[See Explanatory Note (i)]

3. To approve the payment of Directors' fees of S$17,465.75 for the financial year ended 31 December 2014.

[See Explanatory Note (ii)] **(Resolution 7)**

4. To approve the payment of Directors' fees of S$125,000 for the financial year ending 31 December 2015, payable half yearly in arrears.

[See Explanatory Note (ii)] **(Resolution 8)**

5. To re-appoint BDO LLP as the Independent Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 9)**

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

AS SPECIAL BUSINESS

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

7. **Authority to issue shares**

That pursuant to Section 161 of the Companies Act, Cap. 50 of Singapore and Rule 806 of Section B of the Singapore Exchange Securities Trading Limited Listing Manual: Rules of Catalist (the "**Catalist Rules**"), the Directors of the Company be authorised and empowered to:

(a) (i) 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,

Notice of Annual General Meeting

(Company Registration No.: 201422395Z)
(Incorporated in Singapore)

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

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

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

(2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) in the capital of the Company shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

 (a) new shares arising from the conversion or exercise of any convertible securities;

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

 (c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Articles of Association, for the time being, of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iii)] **(Resolution 10)**

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

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

[See Explanatory Note (iv)] **(Resolution 11)**

Notice of Annual General Meeting

(Company Registration No.: 201422395Z)
(Incorporated in Singapore)

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

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

[See Explanatory Note (v)] **(Resolution 12)**

By Order of the Board

Yoo Loo Ping
Company Secretary
Singapore,
14 April 2015

Explanatory Notes:

(i) Mr Ng Hai Liong, upon re-election as a Director of the Company, will remain as an executive Director and Chairman of the Board.

Mr Ng Kian Yeow, Vincent, upon re-election as a Director of the Company, will remain as an executive Director and member of the Board.

Mr Yen Se-Hua Stewart, upon re-election as a Director of the Company, will remain as the Chairman of the Remuneration Committee, and a member of the Nominating and Audit Committees, and the Board of Directors (save for Mr Yen Se-Hua Stewart) considers him independent for the purposes of Rule 704(7) of the Catalist Rules of the SGX-ST.

Mr Wee Heng Yi, Adrian, upon re-election as a Director of the Company, will remain as the Chairman of the Nominating Committee, and a member of the Remuneration and Audit Committees, and the Board of Directors (save for Mr Wee Heng Yi, Adrian) considers him independent for the purposes of Rule 704(7) of the Catalist Rules of the SGX-ST.

Mr Yuen Sou Wai, upon re-election as a Director of the Company, will remain as the Chairman of the Audit Committee, and a member of the Remuneration and Nominating Committees, and the Board of Directors (save for Mr Yuen Sou Wai) considers him independent for the purposes of Rule 704(7) of the Catalist Rules of the SGX-ST.

(ii) Ordinary Resolution 7 should be read in conjunction with the proposed remuneration for non-executive directors for the financial year ended 31 December 2014 as presented on Page 21 of the Report on Corporate Governance in the Annual Report. Ordinary Resolution 8, if passed, will facilitate the payment of Directors' fees during the financial year ending 31 December 2015 in which the fees are incurred which is payable half yearly in arrears.

(iii) The Ordinary Resolution 10 in item 7 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, one hundred per centum (100%) of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to fifty per centum (50%) may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) 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 is passed and any subsequent bonus issue, consolidation or subdivision of shares.

Notice of Annual General Meeting

(Company Registration No.: 201422395Z)
(Incorporated in Singapore)

(iv) The Ordinary Resolution 11 in item 8 above, if passed, will empower the Directors to issue shares up to an amount in aggregate not exceeding fifteen per centum (15%) of the issued share capital (excluding treasury shares) of the Company pursuant to the Huationg Employee Share Option Scheme which was approved at the Extraordinary General Meeting of the Company on 28 May 2014. This authority is in addition to the general authority to issue shares sought under Ordinary Resolution No. 10.

(v) The Ordinary Resolution 12 in item 9 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to grant awards under the Huationg Performance Share Plan in accordance with the provisions of the Huationg Performance Share Plan and to allot and issue from time to time such number of fully-paid shares as may be required to be issued pursuant to the vesting of the awards under the Huationg Performance Share Plan subject to the maximum number of shares prescribed under the terms and conditions of the Huationg Performance Share Plan.

The aggregate number of ordinary shares which may be allotted and issued pursuant to the Huationg Performance Share Plan and under any other share incentive scheme or share plan adopted by the Company for the time being in force, is limited to fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) of the Company from time to time. This authority is in addition to the general authority to issue shares sought under Ordinary Resolution No. 10.

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the "**Meeting**") is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company. Where a member appoints two (2) proxies, he/she shall specify the proportion of his/her shareholding to be represented by each proxy in the instrument appointing the proxies. If the Member is a corporation, the instrument appointing the proxy must be under seal or the hand of an officer or attorney duly authorised.

2. The instrument appointing a proxy must be deposited at the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd, registered office at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company:

(i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents) 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.

HUATIONG GLOBAL LIMITED
(Company Registration No: 201422395Z)
(Incorporated in Singapore)

PROXY FORM

*I/We ____ *(Name)* of

____ *(Address)*

being *a Member/Members of the abovenamed Company, hereby appoint

Name	Address	NRIC/ Passport No.	Proportion of shareholdings to be represented by proxy (%)	
			No.of Shares	%

*and/or (delete as appropriate)

or the Chairman of the meeting as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the Annual General Meeting of the Company (the "Meeting"), to be held at at Raffles Marina Ltd, 10 Tuas West Drive, Singapore 638404 on Wednesday, 29 April 2015 at 3.00 p.m. and at any adjournment thereof. *I/we direct *my/our *proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specified direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/their discretion, as *he/they will on any other matters arising at the Meeting.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Financial Statements for the year ended 31 December 2014.		
2	Re-election of Mr Ng Hai Liong as a Director.		
3	Re-election of Mr Ng Kian Yeow, Vincent as a Director.		
4	Re-election of Mr Yuen Sou Wai as a Director.		
5	Re-election of Mr Yen Se-Hua Stewart as a Director.		
6	Re-election of Mr Wee Heng Yi, Adrian as a Director.		
7	Approval of Directors' fees amounting to S$17,465.75 for the year ended 31 December 2014.		
8	Approval of Directors' fees amounting to S$125,000 for the year ending 31 December 2015, payable half yearly in arrears.		
9	Re-appointment of BDO LLP as Independent Auditors.		
10	Authority to issue new shares.		
11	Authority to allot and issue shares under the Huationg Employee Share Option Scheme.		
12	Authority to allot and issue shares under the Huationg Performance Share Plan.		

Dated this ____________ day of ____________________ 2015

Total Number of Shares Held

____
Signature(s) of Member(s)/Common Seal

** Delete accordingly*

IMPORTANT: PLEASE READ NOTES ON THE REVERSE

Notes:-

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. Such proxy need not be a member of the Company.

2. Where a member of the Company appoints two proxies, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each such proxy.

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

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

5. The instrument appointing proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd, registered office at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not later than 48 hours before the time set for the Annual General Meeting.

6. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert the number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.

7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 48 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

8. A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting and to speak and vote thereat unless his name appears on the Depository Register 48 hours before the time set for the Annual General Meeting.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 14 April 2015.

Fold along this line (1)

AFFIX
STAMP

Boardroom Corporate & Advisory Services Pte Ltd
The Share Registrar of
HUATIONG GLOBAL LIMITED
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

Fold along this line (2)

Corporate Information

BOARD OF DIRECTORS

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

COMPANY SECRETARY

Yoo Loo Ping (ACIS, MBA)

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
21 Merchant Road, #05-01
Singapore 058267
Partner-in-charge: William Ng Wee Liang
(a practising member of the
Institute of Singapore Chartered Accountants)
(Appointed since the financial year ended 31 December 2013)

INVESTORS RELATIONS

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

SHARE REGISTRAR

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

PRINCIPAL BANKERS

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

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

Huationg Global Limited

Annual Report 2014

Huationg Global Limited

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

www.huationg-global.com