



## Huatong Global Limited

Company Registration Number: 201422395Z  
(Incorporated in the Republic of Singapore on 1 August 2014)  
Address: 9 Benoi Crescent, Singapore 629972  
Website: <http://www.huatong-global.com>

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### RESPONSES TO QUESTIONS RAISED BY THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE) (“SIAS”) IN RELATION TO THE ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (“FY2022”)

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The Board of Directors (the “**Board**”) of Huatong Global Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the questions raised by the SIAS in relation to its Annual Report for FY2022, which was issued on 12 April 2023.

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

By Order of the Board  
**Huatong Global Limited**

Ng Kian Ann Patrick  
Executive Director and Chief Executive Officer

27 April 2023

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

*The contact person for the Sponsor is Mr Joseph Au, 16 Collyer Quay, #10-00 Collyer Quay Centre, Singapore 049318, [sponsorship@ppcf.com.sg](mailto:sponsorship@ppcf.com.sg).*

## ANNEX A

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### Question 1

1. **Would the board/management provide shareholders greater clarity on the following operational and financial matters? Specifically:**
  - (i) **Civil engineering contract work:** Revenue declined from \$153 million to \$101 million in 2022. **Can management provide more information on the underlying reasons for the decrease? In addition, has the group been able to secure the skilled manpower needed for its operations?**
  - (ii) **Inland logistics support:** Revenue from inland logistics support increased from \$12.1 million to \$23.4 million, marking the highest segmental revenue since 2014-2015 when the group recognised \$27-28 million in segmental revenue. **Can management elaborate further on the underlying reasons for the increase? Are inland logistics support services recurring and/or long-term in nature?**
  - (iii) **Loss allowance:** Despite revenue decreasing by 11% in 2022, the net loss allowance on trade receivables and contract assets more than doubled from \$2.34 million to \$5.76 million. Specifically, this was due to the loss allowance on contract assets of \$5.80 million (offset by a reversal in the loss allowance on trade receivables). In 2021, the loss allowance on contract assets was \$2.37 million. **Can the audit committee (AC) provide shareholders with a detailed explanation of how it determined the loss allowance on contract assets and the underlying reasons for this allowance?**
  - (iv) **Financial assets at fair value through profit and loss:** Note 11 shows the details of the two universal life insurance policies taken up by the group on the life of the director. The transfers of the two policies to the executive director have been extended to 2023 and 2025. **Can the company clarify whether the universal life insurance policies obtained for the executive director are considered a form of remuneration or benefit for the director, or key-man risk insurance for the company? Additionally, could the company provide information on the terms of the transfers? Do the transfers represent a (future) liability to the group, and if so, are these liabilities recognised on the balance sheet?**
  - (v) **9 Benoi Crescent: What is the progress on the sale of 9 Benoi Crescent?**

### Company's Response

- (i) *The Group faced a decline in revenue for the civil engineering contract work in 2022 as the revenue was recognized based on the percentage of completion of the construction projects. The Group does not face any manpower issues for its operations.*
- (ii) *The business volume for the Group's inland logistics support services has increased due to higher demand. Generally, inland logistics support services are project based that last for approximately 1 to 2 years each.*
- (iii) *The Group determines the Expected Credit Losses ("ECL") of trade receivables (including retention sums) and contract assets by the credit profile and characteristics of the counterparties using a provision matrix. The ECL rates are estimated based on historical credit loss experience adjusted as appropriate to reflect current conditions and forward-looking information which is based on assumptions and forecasts of future economic conditions.*
- (iv) *The two universal life insurance policies are key-man insurances. The policies are considered a form of benefit for the director and the Group. A director shall become the beneficiary of the policies and be entitled to all payments and other benefits arising therefrom after deducting the amounts paid under the revolving credit facility and the surrender value of the insurance policies after the transfer. These loans are recorded in the balance sheet.*

- (v) *As at the date of this announcement, the Company has received a few queries on the sale of 9 Benoi Crescent. As and when there are material developments on this, the Company shall provide an update to shareholders accordingly.*

## **Question 2**

2. On 11 April 2023, the company announced that there are material variances between the unaudited financial statements and the audited financial statements for the financial year ended 31 December 2022 following the finalisation of the audit. The announcement on the unaudited financial results was first released via SGXNet on 1 March 2023 while the announcement of material differences came 6 weeks after.

Following the finalisation of the audit, revenue was \$5.2 million lower, while cost of sales and services decreased by \$5.1 million. Contract liabilities more than doubled to \$2.7 million while other reserves decreased by \$10.65 million. Net contract assets were \$1.4 million or 91% higher.

Some of the reasons for the changes include:

- elimination of inter-company transaction of \$5.2 million from revenue and cost of sales and services
- adjustment of unpaid consideration for the purchase of property, plant and equipment
- reclassification of contract liabilities from trade and other payables

There have been material variances in the unaudited financial statements in 6 out of the past 7 years, for FY2016 to FY2022, with the exception of FY2017.

- (i) **Would the newly appointed AC chairman share his views on the challenges faced by the group in its financial reporting, if any?**
- (ii) **Will the AC (along with the nominating committee (NC)) oversee the search of a chief financial officer (see Question 3 below)? If so, would the board be finalising the selection criteria for the CFO and update shareholders on how it intends to carry out a search for a new CFO?**
- (iii) **In addition, will the board be reconstituting the AC and to strengthen it with directors with recent and relevant accounting or related financial management expertise or experience and with a track record of discharging their duties as AC members (Principle 10: Code of Corporate Governance 2018)?**
- (iv) In addition, the disclosure of segment information (Note 32) has unallocated costs of \$(15.4) million. This makes the financial reporting on the operating segment not meaningful given its materiality. **Would the AC look into ways of improving the allocation of costs to make segment reporting more meaningful?**

32. Segment information (cont'd)

Operating segments	Civil engineering contract works \$'000	Inland logistics support \$'000	Sales of construction materials \$'000	Dormitory operation \$'000	Unallocated \$'000	Elimination \$'000	Consolidated \$'000
<b>2022</b>							
<i>Revenue</i>							
External revenue	100,642	23,379	2,982	24,700	-	-	151,703
Inter-segment revenue	18,965	5,239	929	-	-	(25,133)	-
	<u>119,607</u>	<u>28,618</u>	<u>3,911</u>	<u>24,700</u>	<u>-</u>	<u>(25,133)</u>	<u>151,703</u>
<i>Results</i>							
Segment results	3,225	5,676	310	20,948	(15,380)	-	14,779
Share of results of a joint venture	(151)	-	-	-	-	-	(151)
Interest income							83
Interest expenses							(2,681)
Profit before income tax							<u>12,030</u>
Income tax expense							(1,879)
Profit for the financial year							<u>10,151</u>

(Source: company annual report; emphasis added)

**Company's Response**

- (i) On 1 March 2023, the Company released its unaudited financial results for FY2022. It is noted that material variances were reported mainly due to the reclassification of accounts during the review of the financial statements for FY2022 by the auditors of the Company. The AC chairman has advised the Management and the Company's auditors to work closely to prevent such incidents from occurring again.
- (ii) The Board has advised the Management to search for a new CFO as soon as possible. Upon interviewing and reviewing the suitability of the incoming CFO's working experience and qualifications by the Management and AC, the Board shall approve the appointment of the CFO following a recommendation by the NC.

Please refer to the Company's response to Question 3(i) below for further details on the appointment process of a CFO.

- (iii) Mr Yap Kian Peng ("**Mr Yap**") was appointed to the Board on 30 December 2022 as the Lead Independent Director, Chairman of the AC, and a member of the Remuneration Committee and the NC. As disclosed in the Company's announcement dated 30 December 2022 in relation to Mr Yap's appointment, Mr Yap's previous experience includes being a director and AC chairman of several SGX-ST listed companies: M Development Ltd., Jackspeed Corporation Limited, Soon Lian Holdings Limited and Seroja Investments Limited. With his various experiences as a director of listed entities on the SGX, the Company is confident that Mr Yap will contribute positively to the AC and relevant matters relating to the Group. Furthermore, with Mr Yap's appointment, the Board is of the view that the AC is strengthened as Mr Yap has accounting and extensive financial management knowledge and experience, and a track record of discharging his duties as an AC chairman.
- (iv) The unallocated costs of S\$(15.4) in the Group's segment information pertains to costs that cannot be directly attributed to a specific business segment or division – it comprises general administrative, overhead costs and other expenses. The AC shall work with the Management to present a more meaningful report in future.

**Question 3**

3. On 14 April 2023, the company announced the cessation of the chief financial officer, Mr Goh Tuck Peng, who has been in the role since 21 July 2021. The CFO's service will end on 12 July 2023, less than 2 years after he was appointed. The reason given was to "consider pursuing other opportunity or personal interest".

Date & Time	Issuer Name	Security Name	Title	Category
14 Apr 2023 11:00 PM	HUATIONG GLOBAL LIMITED	HUATIONG GLOBAL LIMITED	Change - Announcement of Cessation::Announcement of Cessation of Chief Financial Officer	Announcement of Cessation
16 Nov 2022 06:54 PM	HUATIONG GLOBAL LIMITED	HUATIONG GLOBAL LIMITED	Change - Announcement of Cessation::Announcement of Cessation of Lead Independent Director and Audit Committee Chairman	Announcement of Cessation
19 May 2021 07:01 PM	HUATIONG GLOBAL LIMITED	HUATIONG GLOBAL LIMITED	Change - Announcement of Cessation::ANNOUNCEMENT OF CESSATION OF CHIEF FINANCIAL OFFICER	Announcement of Cessation

(Source: [www.sgx.com](http://www.sgx.com))

The resignation of Mr Goh Tuck Peng follows the cessation of Mr Yuen Sou Wai, who was the lead independent director and chairman of the AC, in November 2022.

In addition, before Mr Goh Tuck Peng, Ms Karen Ji Cuihua resigned as CFO with effective date on 21 July 2021, for “personal health matters”.

- (i) **Can the NC help shareholders better understand its role in assisting the company with the selection and screening process for key management personnel, specifically in the case of the CFO?**
- (ii) **Would the NC and/or the AC review the relatively quick cessations of the CFOs and look into the circumstances?**
- (iii) **Separately, has the board/AC reviewed the company’s internal controls (including financial, operational, compliance and information technology controls) and risk management systems and found them to be adequate and effective?**

### **Company’s Response**

- (i) *The Company will appoint a new CFO once the Board, in consultation with and recommendation by the NC, approves his /her appointment. Prior to the appointment of the new CFO, the Management and the NC will conduct an interview session with the incoming CFO based on his/ her experience and qualifications.*

*The NC’s role in appointing a new CFO of the Company is as follows: (a) participating in the review process, (b) recommending the appointment of the new CFO to the Board for approval, and (c) reviewing and recommending the proposed terms of employment of the new CFO to the Board for approval.*

- (ii) *Where the Company is made aware of the cessations of its CFOs, it is the practice of the NC and the AC to carry out an exit interview with the outgoing CFO.*
- (iii) *The Company’s internal audit function is carried out by CLA Global TS Risk Advisory Pte. Ltd. (formerly known as Nexia TS Risk Advisory Pte. Ltd.) (“**CLA Global TS**”). CLA Global TS reports directly to the AC. The AC reviews the internal audit findings regularly every 6 months and approves the internal audit plan annually to ensure the adequacy of the scope of audit and assessment. The AC is of the view that the internal controls and risk management are adequate and effective.*